FORMULATION OF THE 1990 FARM BILL
(WHEAT, SOYBEANS, AND FEED GRAINS PROGRAMS)

HEARINGS

BEFORE THE

SUBCOMMITTEE ON
WHEAT, SOYBEANS, AND FEED GRAINS

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

FEBRUARY 9, 1990, FARGO, ND
FEBRUARY 10, 1990, SIOUX FALLS, SD
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FORMULATION OF THE 1990 FARM BILL

FRIDAY, FEBRUARY 9, 1990

House of Representatives,
Subcommittee on Wheat, Soybeans, and Feed Grains,
Committee on Agriculture,
Fargo, ND.

The subcommittee met, pursuant to notice at 9 a.m., in the great hall, Holiday Inn, Fargo, ND, Hon. Dan Glickman (chairman of the subcommittee) presiding.

Present: Representatives Johnson and Stangeland.

Also present: Representative Dorgan.

Staff present: Joseph Muldoon, assistant counsel, Greg Frazier and Anne C. Keys.

OPENING STATEMENT OF HON. DAN GLICKMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. Glickman. Good morning. The subcommittee will come to order. My name is Dan Glickman and I am a Member of Congress from the State of Kansas, from the Wichita-Hutchinson area. I am the chairman of the Subcommittee on Wheat, Soybeans, and Feed Grains and this is a hearing of that subcommittee to look into issues regarding the formulation of the 1990 farm bill.

Today, we are, of course, here in Fargo, tomorrow, we are going to be in Sioux Falls, South Dakota, in Tim Johnson's district, and then our last field hearing will be next Friday in Wichita, Kansas. After that during the month of March, we will be hearing from a few additional witnesses and then begin the process of writing this farm bill.

I might take a moment and tell you about the process itself. The current farm bill expires on December 31 of this year; so it is our goal to have that farm bill through the process in the House—and I assume the Senate is the same way, sometime in the summer—early or midsummer, so we can get the differences worked out and sent to the President as quickly as possible. Hopefully this summer, in order to give farmers some time with planting decisions and announcements, but no later, of course, than September.

These hearings offer us a chance to hear from you in real America. Not that Washington is not real America but it is not as real as it is out here. It gives us a chance to listen to folks at home, what they think we ought to be doing, what is right about the current farm policy, what is wrong about it and how you think it ought to be corrected. So, your views will be very important to us in determining what we should do. This is our primary trip to the Dakotas and the northern plains. We have had field hearings in the Pacific Northwest, we have had them in the Texas Panhandle, in Kansas and we have had two hearings in Indiana. We are trying to get a geographical representation of what ought to be in this farm bill. Not everybody in different parts of the country agrees because different geographical locations, climate, and weather patterns make a difference in what you want to see in the legislation. But this will allow us to get the kind of balance that we need in order to move ahead.

In any event, let me tell you a couple of ground rules before we get started. We have a lot of witnesses today. I want everybody to know that everybody who is testifying, their testimony will appear in the record in its entirety. So, you need not feel compelled to read your testimony completely unless you feel you accomplish it more quickly that way. We are going to hold everybody to the 5-minute rule. I know that is going to be tough but we have so many witnesses that a little light here will go on and your seat will not eject you when that happens but Congressman Dorgan might. So, we will ask you to stick with that 5-minute rule as much as you possibly can. It will allow us at the end of the formal witnesses to have a period of perhaps 30 minutes where anybody from the audience can come up and tell us what is on their mind in terms of farm legislation. We would like to finish the formal presentations by 11:30 a.m. and then from 11:30 a.m. to 12 noon have a period of open comment from the room itself. So please, to the extent that you can, when that light goes on try to end your testimony as quickly as possible. Your entire statement will appear in the record. I assure everybody of that.

We're delighted to be here in the Fargo-Moorhead area. This is, frankly, my first time in the State of North Dakota. I have been a very close friend of your Congressman here for years. He and I have worked extraordinarily well together on agricultural issues. He is one of the truly outstanding advocates for agriculture and rural issues, on a whole assortment of issues, farm bill and non-farm bill issues. So, I am just delighted that we are here in Byron's district. Byron, I would like to recognize you for an opening statement.

OPENING STATEMENT OF HON. BRYON L. DORGAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

Mr. DORGAN. Dan, thank you very much. I will not take any significant amount of time, but I did want to welcome you and thank you for coming to the Dakotas.

It is, I think, important to know that Congressman Stangeland and Congressman Johnson and I represent a region up here in Congress that is tens of thousands of square miles and tens of thousands of farmers. We talk a lot about economic diversification and work very hard to improve economic opportunity but there is not anything much more important to us than a good Farm Program. It is so critically important to our region and for that reason, I am pleased that you have been willing to come to this region and hold this hearing.

I am sorry that the process of congressional hearings is as structured as it is, but that is the way it works. We hope at the end of this period to have an open mike period where for one-half hour or so, people from the audience who are not on the witness list can stand up and speak their mind. I look forward to a very interesting hearing. I appreciate all of those folks in the audience who have come today. I appreciate your being here. And Congressman Glickman, thank you for making this special effort to be in North Dakota today.

Mr. **Glickman**. Thank you, Byron.

Now, I would like to call on Hon. Arlan Stangeland who represents the Moorhead side of this picture.

OPENING STATEMENT OF HON. ARLAN STANGELAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. **Stangeland**. Thank you very much, Dan. I am not going to take a great deal of time because you have a long list of witnesses.

You are here to hear from the people of North Dakota and from some of the people in my congressional district across the river, but I want to commend you for taking hearings throughout the whole country on the very important issue of a future farm bill, particularly the wheat, feed grain, and soybean section of that farm bill. I do not know of any farm bill that has had an extensive review through subcommittee hearings than this one has in going into this markup. I think that is good because these are the people directly affected and these are the people that we ought to hear from. Certainly, we know when we write a farm bill we are not going to please everyone in every section of the country, but we ought to hear from them, they ought to have their voice be known and heard and the Wheat Subcommittee has been very aggressive, the Dairy Subcommittee has been very aggressive and the subcommittee that I sit as a ranking member on, the Cotton, Rice, and Sugar Subcommittee has been aggressive as well.

I look forward to this testimony and I am pleased that you came up here to Fargo and into the Red River Valley, which is the bread basket—we call it the bread basket of the world. Thank you.

Mr. **Glickman**. We might argue about that in Kansas but certainly we are the two bread baskets of the world.

Now, I would like to call on my colleague from South Dakota, Tim Johnson.

OPENING STATEMENT OF HON. TIM JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Mr. **Johnson**. Thank you, Mr. Chairman. I, too, want to commend and thank you for bringing these hearings to the Dakotas. I think the real experts that we need to listen to are the ones who are here in this room today and Sioux Falls tomorrow. There is no lack of experts in Washington, but the ones who I think we really need to listen to are the ones whose operations are dependent on a day-to-day basis on the decisions, good and bad, that are made in Washington. I think they have more to tell us about which programs work and which do not than anyone else does.

Despite the fact that the economies of our two States, the Dakotas, are increasingly diversified, it remains nonetheless true that no one in our two States will ever do very much better than our farmers and ranchers. We need prosperity in our farm and ranch economy or no one else is going to prosper in our States either.

The farm bill, of course, is a massive piece of legislation. We are going to be talking about crop price support programs and target prices, loan rates, and so on, but it also involves the whole range of conservation issues, the Conservation Reserve Program, swampbuster, sodbuster, what is going to happen with chemical usage and ground water concerns. We have the crop insurance and disaster debate going on. We have possibly a rural development component; we have trade issues; we have credit issues, all of this in the context of an incredibly difficult budget situation. And with the administration asking for a $1.5 billion cut in the crop price support component of the farm bill, there is room for some debate about where our national priorities are in light of the $3 billion increase in foreign aid that is being requested. But nonetheless, we find ourselves in a very difficult budget environment through which all of this is going to have to be seen.

So, I thank you again for bringing this hearing to the Dakotas and I am looking forward to hearing the testimony of the people here today.

Mr. GLICKMAN. Before we start, if anyone in the audience has statements that we do not have, raise your hands.

The Governor, I understand, will be here in a little bit. He is not here just yet, so we will start with our first panel. Mr. Alan Bergman, president, North Dakota Farmers Union; Mr. Monte Burke, president, North Dakota Farm Bureau; Ms. Kelly Shockman, president, National Farmers Organization of North Dakota; Mr. Randolph Nodland, president of National Family Farm Coalition, and Ms. Gloria Diede, president of North Dakota Women Involved in Farm Economics. We would ask you to all come up here. We will start with the way I announced it. So, Mr. Bergman, we will start with you. You might try to get that mike as close as you can to you so the folks in the back of the room can hear you as you speak. You may proceed.

STATEMENT OF ALAN BERGMAN, PRESIDENT, NORTH DAKOTA FARMERS UNION

Mr. BERGMAN. Thank you, Mr. Chairman. We thank you for coming to North Dakota to hear our concerns as you and your subcommittee work on the development of the 1990 farm bill.

My name is Alan Bergman, I am president of North Dakota Farmer Union and represent about 30,000 members and I am a wheat, barley, and sunflower producer in the south-central part of the State.

First, we need to come to a common understanding of the purpose of Federal farm legislation. We should all recognize that the farm bill should provide an adequate income base for preserving the family farm structure in agriculture and we, the family farmers, will supply a safe, reliable, adequate food supply for this Nations' consumers.

Second, we must recognize that there are serious flaws in the present Farm Program. The 1985 farm law gave tremendous advantage to the grain trade and the processing industry. Prices to the producer were driven down under the logic that lower prices would increase exports and once that export market was regained, we were all supposed to do better. Well, this trickle-down theory has not worked very well and has become very costly to the Government and to our agricultural community. I think the proof is in the loss of family farmers over the past decade.

We have lost 6,500 farmers in our State, nearly 20 percent of our producers. Farm size has increased and there are more part-time producers and our rural communities are under economic stress.

Thanks to the drought, we have the lowest stock level since the mid-1970's but yet, commodity prices remain extremely soft and they continue to fall. Over the past 2 weeks in my local elevator, we have lost 40 cents on the price of wheat.

I think farmers have lost confidence in this type of program. If we continue down the path of this present farm law, real net farm income is going to decline 43 percent over the next 5 years. I think we are totally dependent on the Federal payments out of appropriations for our net farm income. Now, that is not my rhetoric, that is from the USDA. We cannot continue this path. We need to establish a program that targets and benefits directly to family farm operators, so that they have an adequate farm income, to make an adequate living, to retire their debt and sustain the rural economy.

As evidenced by the most recent budget, we know that there is going to be constant downward pressure on Federal Farm Program budgets. We believe that the Farm Program costs can be removed by targeting benefits rather than lowering prices across the board. In the present program, the loan level has been driven down so low that it can no longer be used effectively by a producer for orderly marketing. Under the present Farm Program, if we are going to continue that, as many suggest, we need to increase the loan rate and target prices need to be set at a level not lower than the 1990 levels. But specifically, we have outlined our own program and it is in the written testimony. Our target program would provide price protection at 110 percent of the national average cost of production. We would like to do away with individual commodity bases which currently are unfairly distributed and are distorting land values. Set-aside should be based on a percentage of a tillable acre. This system would provide producer flexibility, allow for some sound crop management, enhance the environment, and encourage diversification.

We believe that giving price protection on a limited level of production would protect farm income while not interfering either with the domestic or international marketplace. And since price protection is not offered on every bushel produced, we believe the program would be consistent with the proposed direction of the general agreement on tariffs and trade. It should be GATT legal even under Secretary Yeutter's definition.

What we are really proposing is a two price system. Every farm would have a level of price protection on their initial volume of production, the rest is going to be sold at marketplace levels. It would have a self-discipline effect on excess production, thereby, allowing production to respond to that world market price and encourage voluntary supply management.

I would like to say that I believe Federal farm programs have lost their way, becoming too costly, too expensive, too complicated, and we need to get back to the original purpose and that is to ensure a reasonable livelihood for the family farm operator.

Now, we have consistently supported Representative Dorgan in his efforts to target farm benefits and I wish to publicly thank him for his efforts. There are a number of issues that we are concerned about that are going to be addressed in this 1990 farm bill, including Federal crop insurance, the Conservation Reserve Program, and environmental concerns. We do not have the time to get into these issues orally at this presentation but we have addressed those in our written presentation.

I would once again like to thank you for coming to North Dakota and will be happy to respond to any questions you might have in regard to what we have outlined as a family farm protection act.

[The prepared statement of Mr. Bergman appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Bergman. Now, Mr. Burke.

STATEMENT OF MONTY C. BURKE, PRESIDENT, NORTH DAKOTA FARM BUREAU

Mr. BURKE. Thank you very much, Mr. Chairman and members of the committee. My name is Monty Burke, president of the North Dakota Farm Bureau.

Thank you for the opportunity to present the North Dakota Farm Bureau's views on the 1990 farm bill. This testimony will be confined primarily to wheat, soybeans, and feed grains, recognizing full well that the total farm bill is going to be an all encompassing thing of the many, many issues.

North Dakota Farm Bureau is a voluntary farm organization with 25,000 members. We recognize that the Food Security Act of 1985 has in many instances had a positive impact on the farm sector. Unfortunately, part of the benefits have been obscured by the drought in the last 2 years, so it got a little hazy.

Looking to the 1990's, it is our belief that we should continue in the same general direction with some fine tuning and rethinking in certain areas. Improving net farm income and enhancing the economic opportunity for farmers are our most important goals.

We support enactment in 1990 of a 5 year, or longer, farm bill which will continue to move the United States in the general direction of a market-based, export-competitive agriculture; a direction established and begun by the Food Security Act of 1985. Target prices should not be reduced—I repeat, should not be reduced below their 1990 levels and should be used to determine deficiency payments. Such payments should continue as a income supplement during the transition to a market-responsive agriculture.

As future farm programs are considered, we support the following changes:

All deficiency payment rates should be determined by using the first 5 months of the marketing year and prompt payment should be made following that calculation.

Producers should be allowed to interchange the base acreage among program crops and approve nonprogram crops, provided that total deficiency payments and total crop base acreage on the farm does not increase. Deficiency payments will be made only on those permitted acres planted to the program crop on an established crop acreage base for the individual farm except if enrolled in either the 0/92 or 50/92 program. Deficiency payments would not be made to acreage planted to approved nonprogram crops. The approved nonprogram crops should include oilseeds, forage, hay, and/or mixtures.

Storage payments—and this I would point out has long been a bone of contention. Storage payments to producers should be the equivalent to those made to commercial storage warehouses.

Deficiency payments should not be reduced or crop bases adjusted because plantings were less than permitted due to weather conditions.

The 0/92 program and guaranteed minimum deficiency payments should be made at the full 92 percent.

Payment limitations under the commodity loan, acreage reduction, and disaster programs should be eliminated.

If a payment limitation is in effect, no rules in defining a person should penalize farm operators who legitimately share in labor, equipment, and other resources as a natural course of operation.

Reduce the 5-five acre requirement on set-aside to 1 acre and not necessarily contiguous.

All commodities are interrelated and any change in supply, demand, or price of one affects the others. Program crop policies should not be developed at the expense of nonprogram crops and other commodities.

We support additional incentives to encourage producers to divert acres into permanent soil conserving uses.

We support the continuation of adequate Government funding of the Agricultural Stabilization and Conservation Service. We also are opposed to any duties from the ASCS to other entities of Government.

We encourage the use of paid diversion to reduce production wherever statutory acreage reduction provisions are inadequate to bring production and supply into a better balance with annual demand.

We urge the Secretary to strive for consistency in administering farm programs so as to treat all producers reasonably and fairly.

Mr. Chairman and members of the committee, I have hurried through this a little bit. We feel very strongly on some current issues that have just developed in the last few days, the need of a good Crop Insurance Program. I cannot over-emphasize that. We need that. We need a hard look taken at the environmental concerns, the conservation concerns, the CRP, and all of those things.

Mr. Chairman and members of the committee, thank you for your considerate attention and I will be very happy to attempt to answer any questions that you may have.

[The prepared statement of Mr. Burke appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Burke.

Let us see, we have—I see Ms. Shockman but you are obviously not Ms. Shockman. [Laughter.]

But are you representing Ms. Shockman?

Mr. SHOCKMAN. No.

Mr. GLICKMAN. OK, why do you not tell us who you are then.

STATEMENT OF KELLY SHOCKMAN, STATE PRESIDENT, NORTH DAKOTA NATIONAL FARMERS ORGANIZATION

Mr. SHOCKMAN. Chairman Glickman and Members of the House of Representatives, that was a misprint in the program.

As you can see, I am a man and my name is Kelly Shockman. [Laughter.]

Mr. GLICKMAN. If that is the worst mistake, we are in good shape. We apologize very much. That was my fault.

Mr. SHOCKMAN. I am a lifelong farmer from LaMoure, North Dakota and I also represent North Dakota as their State president. I have quite a bit of testimony that I will just turn in and just briefly skip through some of the high points in my oral testimony. You have my testimony on page A. I will hit the high points.

Recognize the shortcomings of the 1985 Food Security Act. I think that is very fundamental for any new legislation.

Increase commodity loan rates back to the 1985 levels.

By the way, before I get past the 1985 Food Security Act, I think that act was badly misnamed. I personally feel that that act should have been called the independent farmer destruction act of 1985. I really mean that.

I think we should continue but improve Federal multiperil crop insurance.

We think that we should freeze target prices at the 1990 levels.

Correct the relative relationship of price support levels between commodities. Example, soybeans should be supported at 2½ times the support level of corn.

We recommend that you switch from acres to bushels or pounds in setting farm bases.

Here, I want to emphasize this point. We strongly recommend that you eliminate the certificate program entirely. I will elaborate on that a little bit later.

Conduct GATT and other overseas negotiations in a realistic manner that encourages bilateral and multinational agreements and sales at profitable levels.

The North Dakota National Farmers Organization supports this whole concept of language in the 1990 farm bill to allow producers to exchange acres of program commodities to allow more planting flexibility and better utilization of recourses. But we urge caution under the concept of flexibility, that it not be used in a manner that will mislead producers into accepting more flexibility as a tradeoff for lower commodity prices and less net farm income. I think an example of that is the 105 percent wheat planting option that is prominently promoted as "flexibility" by the Secretary of Agriculture. Producers might believe it is another choice but it is meaningless because of the advantage it will give to the trade over producers.

And last, we strongly urge that the enforcement authority of the swampbuster provisions be left as they are. Now, switching over to the certificates, section B, page 2.

Giving away our assets—Payment-In-Kind certificates were also authorized in the 1985 farm bill and they are for two basic reasons:

One, giving away our assets to the Federal Government does not show up in the current outlay on the books of the U.S. Government. Generic certificates in effect circumvent budget constraints.

Two, the other purpose, the most important purpose, probably even more significant than budget concerns at the time was the release of CCC inventories and the grain held in the Farmer-Owned Reserve into the market substantially below the legislated release price. By using PIK certificates to release CCC inventory and to repay loans, this grain, previously isolated from the market, was released into the market at the current market price. In addition, the regular 9-month loans could be redeemed at market price with PIK certificates, the old PIK and roll Program.

We believe the PIK certificates were undoubtedly the major factor in holding down market prices, even as our inventories were depleted and our granaries were emptied following the 1988 and 1989 crop. Prices did not respond as they had in past years when our inventories were reduced to similar levels. This has got a lot of farmers scratching their head.

Also presented to the committee is a chart which is C. This chart—I will not read it all, I will just read the first part of it. This chart contains information supplied to me by the USDA. It shows loan rates and average prices paid for wheat, all classes, for the years 1950–59 and for the years 1980–89. The loan-price in relationship is basically the same for the years 1960 through 1979, but are not shown here in the interest of time. Although this chart shows only wheat, all farm commodities that have a loan program show the same trends and relationships between loan price and the actual cash price for all of the years. My point here is that loan prices are important in setting cash prices. Farmers have known this for many years. This is why we are very concerned about where you set that level of our commodity loans. Just for example, in 1950 the loan rate was $1.99, cash price $2 and on for 40 years. There is a couple of notable exceptions and that is the drought years of 1988 and 1989 and the so-called Russian wheat sale back in 1973.

Mr. GLICKMAN. Mr. Shockman, could you finish in about 1 minute because your time has expired.

Mr. SHOCKMAN. All right.

Mr. GLICKMAN. OK.

Mr. SHOCKMAN. Do I have 1 minute left?

Mr. GLICKMAN. Go ahead. We will give you 1 minute.

Mr. SHOCKMAN. On that same page, this chart shows the carry over stocks for the years 1980–89. In 1989 we had the lowest carry over stocks for almost the last 4 years. The farmers are really concerned why—we cannot reconcile this fact, why we have lower carry over stocks and lower prices at the same time.

In the interest of time, I think that anything I say here or anything that anyone says here probably is better said by this box of Wheaties. This is an old one that has been around for many years. The consumer cost of this box of Wheaties—and I bought it here last Monday, is $2.25 for 12 ounces. Now, the wheat producers share of this box of Wheaties, my wheat back home, is $3.42 a bushel, 4³⁄₁₀ cents of that $2.25. The consumers' share based on our deficiency payments figured out 68 cents. It adds another seven-tenths of 1 cent to the cost of this box of Wheaties. The total farmer cost to the consumer is 5 cents. If the farmer gave that wheat to the industry, that box would still cost $2.20. I submit there is something wrong.

Thank you for the opportunity to testify before this committee, Representative Glickman.

[The prepared statement of Mr. Shockman appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Shockman. That was a very good statement.

Now, we have Mr. Randolph Nodland, National Family Farm Coalition.

STATEMENT OF RANDOLPH A. NODLAND, PRESIDENT, NATIONAL FAMILY FARM COALITION

Mr. NODLAND. Thank you, Chairman Glickman and members of the committee.

My name is Randolph Nodland. I am a farmer and rancher from southwestern North Dakota. I presently serve as president of the National Family Farm Coalition, which is made up of 42 grassroots groups from over 30 States. Last night, I returned from Washington, DC, having spent several days in the Capitol attending an executive board meeting of our group and visiting many congressional offices to discuss the 1990 farm bill. I happened to be in Washington when Secretary of Agriculture Clayton Yeutter announced the administration's proposals for the 1990 farm bill and had an opportunity to attend the full Senate Agriculture Committee hearing on Wednesday at which Secretary Yeutter appeared.

It is very evident that the Bush administration's farm policy means more of the same—more family farm operations out of business, more taxpayer subsidies for multinational grain companies, and more smalltown businesses being forced to close their doors.

In submitting his proposals, Secretary Yeutter uses terms that can only be translated into lower farm income if the administration gets its way. He talks of flexibility saying farmers need to be free to respond to market signals. He says reliance on the cost of production is an outmoded means of setting farm price supports and is inconsistent with other price support programs.

Since 1985, we have lost over 400,000 farms in the United States; over 6,000 in North Dakota alone. The present Farm Program has allowed large multinational grain companies to purchase our grain at far below the cost of production, with taxpayers subsidizing farmers through deficiency payments. Nowhere in the proposals is there any guarantee that farmers will receive increased loan rates or target prices to cover higher production costs. Nor is there any assurance that target prices or loan rates will not be lowered even further under the proposals.

The National Family Farm Coalition supports raising CCC loan rates above the cost of production, which would provide a stable income to family farmers, yet reduce costs to taxpayers. We have a farm bill proposal called the Family Farm Act that allows farmers the flexibility to switch from one crop to another by 20 percent per year if it fits their needs. The administration's proposals for normal crop acreage would allow farmers to plant their total crop based on a one program crop, almost assuredly wrecking the market within 1 year if short supplies had resulted in higher prices for that crop. USDA's proposal is basically decoupling, yet the name has been changed to delinking. To farmers it means the same.

I am sorry for going so fast but I want to get this done.

Another administration proposal would eliminate Federal crop insurance and replace it with disaster payments. A farmer would not qualify for disaster payments unless the county had an average yield below 65 percent of its normal yield. It appears that farmers in one end of the county could suffer a natural disaster and not be afforded crop insurance benefits, yet not qualify for disaster assistance if the rest of the county had a good crop.

The NFFC proposal would create a Commodity Reserve that would eliminate the need for disaster relief legislation. I will not go into that unless I get time. We have a sustainable agriculture section for those who choose to sign up for a 5-year program.

It is interesting to note that in the administration's overview of their proposals, they acknowledge that the Peanut Program has small budget outlays, yet they are now proposing to change the program by adjusting the support rate to be reflective of market conditions—in those words. This translates to lower prices. The one program that is working and should serve as a model for other commodity programs in now proposed to be gutted by Secretary Yeutter. It is also a reflection of the administration's agenda at the GATT negotiations.

At the Senate Agriculture Committee hearing, Senator Conrad expressed many farmers' feelings when he said that while he supports several of the sections of the administration's proposal, it flunks the one most important test of providing adequate farm income. Senator Conrad also referred to a recent FAPRI report that indicated net farm income is projected to drop over 40 percent in the next 5 years. Members of this committee, be they Republicans or Democrats, should be concerned over the continued loss of family farms and not over whether the United States can continue to dump huge quantities of grain on the world market.

A Farm Program that provides prices above the cost of production with sound production management would achieve the goal of providing a stable food supply, yet not hurt our family farmers or those of foreign nations.

I appreciate the opportunity to present our concerns today and look forward to working together throughout the ongoing debate. I have submitted a chart also on loan rates and their effects on the market and I have submitted a copy of our farm bill proposal.

Thank you.

[The prepared statement of Mr. Nodland appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you very much. Is Mrs. Diede here, Gloria Diede with WIFE, or is there anybody else here with that group who is to represent her?

[No response.]

Mr. **Glickman**. If not, we will place her statement in the record, then we will get to questions from this group and I will call on Byron.

[The prepared statement of Mrs. Diede appears at the conclusion of the hearing.]

Mr. **Dorgan**. Thank you very much.

The statements are excellent. I have read the entire statements presented today. Let me just ask one question. The thrust of the 1985 Farm Program extended out into the 1990's projects target prices dropping dramatically. We are talking about projections by those who want to move in this direction to target prices on wheat down to $3.35 a bushel. Now what will be the consequences of that if we move in that direction? Mr. Burke, Mr. Bergman, whoever would like to answer that. I mean that is—Mr. Burke, you indicated that part of the 1985 act was moving in the right direction but your organization would not support moving target prices for wheat down to $3.35, would you?

Mr. **Burke**. No, we do not advocate that. At our house of delegates in our last annual meeting, we set a floor, we would like to see them frozen at the 1990 level, which is going to be right at $4 on wheat. I honestly do not think it can go any lower than that. It would be disastrous.

Mr. **Dorgan**. Mr. Bergman.

Mr. **Bergman**. First, let me say that we would like to see an entirely different type of program enacted that would—as we have outlined. But if it is going to be that we are going to have a fine-tuning or a continuation of the present act, as many have suggested, we cannot stand a decrease in the target price. We are going to have to increase the loan levels to cut the budget exposure and the loan level, as nearly all of us have outlined, is a base price for commodity prices. So those two things are bare minimums that you are going to have to deal with. We believe that the target price should have some type of escalator in it in the next farm bill because our production costs are going up year after year and we are seeing no end in sight on our production costs.

Mr. **Dorgan**. A couple of us introduced a proposal that is a counterbalance to the administration's proposal to move continually downward. We introduced a proposal that said the support prices should be adjusted upward as a reflection of the increased costs of the inputs that farmers face. If the things that they are buying are increasing in cost, then the target price should increase—or the support price mechanism should increase as a reflection of that. We did that simply to try and counterbalance this move to reduce prices further. Some of us think that the current support price in many areas is below the cost of production and should be improved or increased.

I have no further questions, Mr. Chairman.

Mr. **Glickman**. Thank you.

Mr. Stangeland.

Mr. **Stangeland**. Thank you.

I want to thank the witnesses for excellent testimony. We do not have the time to get into it in depth but we certainly will read it. There were two points that some of you made, and one was flexibility and one of you mentioned a concern about delinking or decoupling and I think the committee shares your concern on that. But I think we are going to have to struggle with the question of flexibility to allow farmers some flexibility in their plantings, but it is a very touchy situation. I do not know if you recall, but in the 1985 farm bill, I had permission for nonprogram crops to be grown on set-aside acres and the dry edible beans producers in North Dakota and Michigan and some of the other—potatoes, came down on my head, so that I had to offer an amendment in the next year—as you recall, Dan, that that was a mistake to go that route. But we do want flexibility.

The other thing is crop insurance. Frankly, I agree with you that the administration's proposal for disaster is totally inadequate. If you are not in a disaster county and you have a loss—and one or two farmers can have a loss in a county without the whole county having a loss, that farmer is in serious trouble. I told Secretary Yeutter 1 week ago that I thought it was a big mistake for the administration to zero-out crop insurance and not work with us to write a good crop insurance program. You cannot tell farmers that crop insurance is too costly when we are spending $50 billion and more in S&L bailouts. I made the point to him that with that money we could buy crop insurance for every farmer in the country for the next 10 years and have a good deal of pocket change left over.

You make good points and I am hopeful that we can respond to those concerns.

Thank you, Mr. Chairman.

Mr. **Glickman**. Thank you.

Mr. Johnson.

Mr. **Johnson**. One of the underlying concerns that we have that has been somewhat addressed here is the $1.5 billion that may have to be excised out of the crop price support programs. We can debate all day long about whether that is a proper reduction in the budget or not, but if that is a given, if that has to occur; Mr. Bergman, you responded that you think the better alternative would be to increase loan rates, reducing the Government's exposure to deficiency payments and saving some money that way. I wonder if the rest of the members of the panel, if you could summarize in just a few words, what are you going to do to reduce agriculture spending, if that in fact had to occur, by $1.5 billion?

Mr. **Shockman**. Mr. Chairman and members of the committee, the National Farmers Organization does recommend that same thing. Raise the loan rate below the—we did not say reduce exposure to the budget. It is in the testimony. To me, that makes good sense. The easiest and the quickest way for farmers and your budget problems would be to increase that loan rate.

Mr. **Nodland**. Of course, the center piece of the National Family Farm Coalition's farm bill proposal is the loan rate. In fact, it would eliminate the target price and have loan rates set above the cost of production and we support that concept. We think that this would be a great budget savings and we would urge you to look at that route to go to save.

I just want to point out this thing on buying power that we are losing. In 1973 you could buy a 125-horsepower tractor for 4,200 and some odd bushels of wheat, today, it takes 13,500 bushels of wheat to buy the same size tractor. So, I think we have lost a lot of buying power and we are going to lose further buying power if this present Farm Program continues.

Mr. JOHNSON. Mr. Burke.

Mr. BURKE. I think to make up the $1.5 billion shortfall that is anticipated or projected, there needs to be a fine tuning of all the areas that can be looked at, not one, but all of them. I will be the first to admit that there are some glaring deficiencies in what we presently have but I would not want to be so bold as to go out and suggest that we need to approach one single area to make up that deficiency. I believe it is a broader problem than that. I think there are areas that it can be done realistically without impairing the ability of the farm sector to survive.

Mr. GLICKMAN. I think Mr. Bergman has something he wants to say.

Mr. JOHNSON. Go ahead, Mr. Bergman.

Mr. BERGMAN. Mr. Chairman and members of the committee, that is one method, but I also think you should not overlook the targeting aspect of giving targeted benefits to family farmers to reduce the cost. There has to be some limits put on. I will not waste much time but, the OMB study is saying that the subsidies are going to the—4 percent of the farm operators are getting more than 30 percent of the payments. It is something that—in this State anyway, where we have a broad group of family farmers and it has to be corrected.

Mr. GLICKMAN. I will just follow up on this last point. Yesterday, one of our colleagues from Texas, a gentleman named Congressman Armey who is known as kind of a watchdog of the Treasury. He was the author of legislation originally having to do with base closings and he is kind of viewed as a—oh, kind of a guy who will pick away at anybody's spending, even his own. He recommended that no farmer with gross sales over $100,000 a year be eligible for any farm payments. Now, we are not going to adopt that; however, I would say that there is a chance this year, for the first time, we may put a ceiling on Farm Program—farm size to be eligible for deficiency payments. It would not be $100,000; it could be gross sales of $1 million. I do not know what the figure would be. But, as Mr. Bergman says, it is true that roughly—just to give you some degree of statistics, about 9 percent of Farm Program payments go to producers with gross sales over $500,000 who account for 1 percent of the farms in this country. Now, that figure may be too low because we do not want to do anything that is unrealistic, but this whole idea of targeting farm benefits is an idea that is probably going to be pursued in this farm bill more seriously than in farm bills before, for a couple of reasons.

No. 1, people like Congressman Armey and others who believe that we have to cut Government spending everywhere and who do not realize what a small percentage of the budget we really do spend on agriculture. It is still really nominal compared to the whole budget. The fact of the matter is, if the administration insists on $1.5 billion in reduction in agricultural spending, which they have done, then we have to look for ways to cut that budget that do not hurt family farmers. Now one possibility would be to do what I just mentioned.

Another possibility would be to raise the loan rate significantly. That, of course, is something that Secretary Yeutter would oppose but that does not mean that we cannot try to do it.

Another possibility is to lower deficiency payments from $50,000 to $40,000 or $50,000 to $35,000 which is something that Mr. Burke said that you would not to see. I think that was in your testimony.

So, we will do our best to work this out so it will be reasonable and then we will still focus on family size farmers. I just want you all to be alert that there are these people like Mr. Richard Armey floating around now that we have not really had in previous years to focus on farm programs and it is going to be a more interesting thing. Fortunately, we have people like Congressmen Dorgan, Stangeland, and Johnson who are able to articulate the message and have done such a splendid job over the past, but it is not going to be easy and we have to look for creative ways to deal with it.

Byron.

Mr. DORGAN. You may not know that Congressman Armey, who represents a district in Texas, was born and raised in Cando, North Dakota. So, before you say more——

[Laughter.]

Mr. BURKE. Can I make a point?

Mr. GLICKMAN. Sure.

Mr. BURKE. What I have heard and what I have said could be taken to be in conflict, but absolutely not. I suggested that the $50,000 payment limitation should be possibly eliminated, but do not misunderstand what I said, meaning that I want the door to be wide open. The point to be made there is that there is no magic formula at $50,000. There are obviously very bad abuses of the payments and the payment limitations. Obviously it is wide spread and those things need to be addressed. But to arbitrarily have a payment limitation of $50,000 and then limits that keep a man and a wife that have maintained separate farming operations for ever, under that $50,000 cap and at the same time watching the large payments that go out, is the reason for me making the point.

Mr. GLICKMAN. Sure.

Mr. BURKE. I just wanted to clarify that.

Mr. GLICKMAN. I understand.

We appreciate very much your testimony today. This has been excellent.

Yes, Mr. Shockman.

Mr. SHOCKMAN. Chairman Glickman, I am involved in politics to some degree myself. I would appreciate—could I have this witness list? I have been called a lot of things in politics but never Ms. [Laughter.]

Mr. GLICKMAN. Yes, that is a gift of the U.S. Government. I want you to know that. [Laughter.]

Thank you all very much.

Next, we have a panel of seven witnesses. We would like them to come forward. Ms. Sarah Vogel, North Dakota Commissioner of Agriculture; Mr. Kent Smith, director, North Dakota Soybean Council; Mr. Carl Haugeberg, director, North Dakota Grain Growers Association; Mr. Louis Arnold, president, National Barley Growers Association; Mr. Floyd Anderson, president, National Sunflower Association; Mr. David Haugo, president, Minnesota Wheat Growers and Mr. Wally Hardie, president, North Dakota Corn Growers Association.

Ms. Vogel, I think we will start with you.

I will ask you to do the best that you possibly can to stick to the 5-minute rule. The red light will go on when the 5-minutes are over. Thank you for being here, Ms. Vogel.

STATEMENT OF SARAH VOGEL, NORTH DAKOTA AGRICULTURE COMMISSIONER

Ms. Vogel. Thank you, Chairman Glickman. It really is a pleasure and I really want to compliment you for bringing your hearing out to the people. With air fares lately, it is a little hard for us to get out there.

I concur very much with the first panel. The 1990 farm bill should one be that benefits and targets the family farmers. That is what it is all about. I am very concerned about the 1990 farm bill, it must not be written in Geneva. I am concerned about the secrecy in which the GATT disputes are settled.

Our goal of eliminating and reducing Government support for agriculture through GATT would be devastating to rural America. USDA recently issued a report called Economic Implications of Agricultural Policy Reforms in Industrial Market Economies, which, in essence, was saying, this is what we project would happen if Secretary Yeutter's proposals were adopted and implemented. It is a frightening document. It indicates that the price of wheat could drop by 44 percent, the price of sugar by 69 percent. The South would be hurt, the price of rice would drop by 50 percent and at the same time, the price to consumers would increase. This is a very bad combination.

The North Dakota Grain Growers recently passed a resolution that recommended that before proposals could be raised at GATT, they would have to go through some type of congressional clearance. I think that is a very solid idea and will help to safeguard the integrity of our Farm Program and will ensure that our Farm Program is written in the United States by representative government.

A similar area, you were talking earlier about the cost of farm programs. I am on a mailing list whereby I receive a magazine from NIKKO which is a major Japanese investment company. It had an article by Carla Hills in it. Carla Hills said the cost of agricultural programs are staggering. Europeans spent almost $120 billion last year—1988—to support agriculture. In the United States, the total came to $76 billion. Now, from what I have reviewed of the budget, she has that expanded by roughly 600 percent. I mean, even if you count food stamps, the Forest Service, everything that USDA does, you do not get the $76 billion. Why is she writing an article where she is saying that is what we spent? It is very disturbing that there would be this kind of misrepresentation. It creates a fever to reduce agricultre spending based on false information and I think it is very disturbing.

I, too, support the continuation of Federal crop insurance. I do not see how a farmer who is hit by a tornado or a hail storm is going to ever gain the attention of Congress and get a national disaster bill. We need a better Crop Insurance Program and there are plenty of suggestions. In this very room last spring, 200 witnesses came and gave a lot of good ideas on how to improve it. I think the administration should heed those suggestions and have the will to make the changes.

I think the Farmers Home Administration funding should be saved. There is a lot of misrepresentation there on the direct loans and traditional FmHA programs. They are exaggerating the losses and they are going to be throwing the baby out with the bath water. We need to keep direct lending by Farmers Home.

Incidentally, part of the funding that they are proposing to cut concerns mediation programs. I find it ironic to hear that, times have never been better, farmers' net income is the best ever, so on and so on, when we have 1,100 new mediation clients this year in North Dakota, people facing foreclosure and having a difficult time. It does not make sense.

I also concur with the increase in target and loan rates. I think we should calculate farmers' bases on yields rather than acreage. I would like to encourage rotation to lower planting cost, lower input and have true flexibility. I think malting and feed barley formulations need to be changed and modified. We need to have more research on sustainable farming, how to lower production costs, on developing commercialization and formulation of new uses. We need publicly funded research, so that everything is not snapped up by big companies who put out patents and then charge farmers forever and ever.

I would like to see an adaptation to the basic loan payments in regard to deficiency payments, so that the farmer who has no crop and cannot receive the enhanced market price will only have to repay on a pro rata basis. I would like to see a cap in the 1990 farm bill for the deficiency payments that have to be repaid this year. If they did not have a crop and could not get the higher market price, that part should be forgiven but if they did have a crop, it should be repaid.

In closing, a long time ago in 1933, Governor Langer said in his inaugural address that there shall be no return to economic prosperity in North Dakota that does not begin with the family farm and that is still true today. The 1990 farm bill is very, very important to us.

Thank you very much.

[The prepared statement of Ms. Vogel appears at the conclusion of the hearing.]

Mr. Glickman. Thank you very much.

The next witness is Mr. Kent Smith, North Dakota Soybean Council.

STATEMENT OF KENT F. SMITH, VOLUNTEER PRESIDENT, NORTH DAKOTA SOYBEAN GROWERS ASSOCIATION

Mr. SMITH. Thank you, Mr. Chairman, and good morning to you all. My name is Kent Smith and I am a volunteer president of the North Dakota Soybean Growers Association.

Last year North Dakota soybean farmers harvested 14 million bushels of soybeans on an area of 640,000 acres and the crop was valued at $75 million, which accounts for approximately 5 percent of the total crop value in North Dakota. Soybeans are the No. 4 crop here in North Dakota, following wheat, barley, and sunflowers. Soybeans are an important crop option for us in North Dakota as well as an important source of our income. That is why the farmers in North Dakota are concerned about what is happening to our U.S. soybean market. We see the loss of soybean acres, production, and profits. It is a dangerous sign that the United States is losing this valuable crop option.

During the past 10 years, soybean farmers have watched as our industry is losing ground to our foreign competitors. In 1979 the United States was the No. 1 supplier in the world of soybeans and soybean products. Today, we have now fallen to the No. 3 supplier of soybean meal and No. 4 supplier of soybean oil. While we still remain the No. 1 supplier of whole beans, we are also losing ground fast in that area. Today, more soybeans are produced outside the United States than in the United States and if current trends continue, South America alone is going to out harvest the United States by the year 1995. We are losing a valuable opportunity here and a chance during this 1990 farm bill to discourage some of this foreign expansion.

North Dakota farmers have worked to increase soybean acreage. We also want to grow soybeans because of growing world demand and for the growing world market for soybeans. Yet there are more lucrative returns from program crops and because of threats of losing base, it has prevented us from expanding soybean production. At the same time we have worked to increase our acreage, we have seen our yields go from a high of 35 bushels per acre in North Dakota in 1986 on an average to a low of 18 bushels just 2 years later in 1988. Our soybean figures makes it very obvious that our profitability is tremendously affected by the weather. Therefore, it is more important that we have planting flexibility that gives us crop rotation options.

This flexibility would allow us to plant for economic reasons. A recent study shows that when planted after soybeans, sunflowers, flax or wheat yielded from 22 to 45 percent more bushels than when planted continuously. So, we hope our farm policy would enable us to make planting decisions that would benefit our farmers and not tying us to rigid program rules.

North Dakota farmers believe that a less rigid farm policy would allow us to farm in a more environmentally sound way. Greater rotational options would result in less chemical inputs which translates into lower cost of production and better stewardship of our environment.

Over the past 2 years, farmers in North Dakota have been working with soybean farmers across the country to develop a solution to these problems that I have outlined. We have proposed a graduated equity loan program which includes income protection and planting flexibility when soybean prices are low. It provides farmers with an incentive to grow soybeans in response to the market and it puts soybeans on a more equal footing with other program crops. It also places foreign competitors at a greater risk by removing the price floor which is currently set by the loan program.

Under this graduated equity loan, a farmer would be eligible for a loan based on a formula which is based on target prices for corn and cotton. The procedure for determining what amount would be eligible for this loan would be determined by stock levels. When stocks are low and prices are high, a smaller portion would be eligible. When stocks are high and prices are low, a higher portion then would be eligible. There would always be a portion though of the farmer's production at market risk. The farmer could repay his loan at the lower of the posted county price or the county loan rate. An important part of this program is that a farmer will give up his right to forfeit his beans in repayment of the loan, so that Government stocks would be avoided and foreign competitors would not benefit from our price floor.

The graduated equity loan is a program that will benefit farmers not only in North Dakota but around the country. It is a program that we feel will allow U.S. soybean farmers to reverse the trend in declining soybean acreage.

I thank you very much for a chance to testify here this morning and look forward to working with you.

[The prepared statement of Mr. Smith appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Smith. I have been very involved with the Soybean Association, as you know, and the Soybean Program. I appreciate your testimony.

Mr. Haugeberg, North Dakota Grain Growers Association.

STATEMENT OF CARL HAUGEBERG, VICE PRESIDENT, NORTH DAKOTA GRAIN GROWERS ASSOCIATION

Mr. HAUGEBERG. Good morning, Chairman Glickman and Congressmen. We are very happy that you came to the State of North Dakota to visit with us on this very important matter.

I am Carl Haugeberg, vice president of the North Dakota Grain Growers Association. I have been a farmer all of my life and, if I can get through this year, will probably continue to raise primarily durum, barley, sunflowers, and flax. I am vice president of North Dakota Grain Growers and we represent both wheat and barley growers in the State of North Dakota and we are affiliated with the National Association of Wheat Growers.

I am going to bounce around a little and not read everything. One point that I want to make off the cuff is that this net income rebound that rural America and agriculture is supposed to be experiencing over the last year or 18 months has not visited wheat country. It has left North Dakota out because of the drought and wheat has not shared in the net income that other sectors have.

Farmers were helped by the 1985 farm bill. By availing ourselves of the opportunities of deficiency payments, PIK and roll, CRP, and some restructuring by lenders, it was working. Then with the back to back droughts of 1988 and 1989, a lot of us are in the most precarious financial position that we have ever been in.

We must face the fact that the deficiency payback is going to be very difficult for most operators in North Dakota. Most of them have crop insurance but still it does not take the place of having grain to sell.

North Dakota Grain Growers supports shoring up the target price concept while not letting the loan price aid the floor of our competitors. In a resolution passed at our State convention, we ask that the target price be raised 8 cents a pound. Consumers understand pounds. They buy by the pound and they never buy anything by the bushel. Eight cents a pound, $4.80 target price for wheat represents the cost of production. That is where we are at.

The target price needs to be tied to cost of production or the rate of inflation to keep farming viable in this country. Since we hear little about getting a higher world price for grain, our domestic policy needs to help cover the cost of production.

Flexibility is the buzzword in allowing for market-driven decisions, so we do not again build up stocks due to the wrong Government signals. However, we also need to proceed with caution so that those of us with fewer cropping options do not get finessed out of business by inflexible regulations as a result of this farm bill.

It has been proven by this farm bill that our set-aside programs increased production everywhere our competitors were. So we support less set-aside. Should we build up to the level at which full-scale storage programs get cranked up again, North Dakota Grain Growers supports a Farmer-Owned Reserve with payments comparable—32 cents a bushel—to commercial rates.

Congress and the administration reacted speedily in meeting the drought disasters of the past 2 years. However, we know that crop insurance needs to be a part of the Farm Program to allow farmers to manage risk. I know the President did not include funding for Federal crop insurance in his budget. For whatever his reasons, I hope Congress provides a program that enables enough of a basic coverage that farmers who choose to pay for more, can afford to do so. I know how difficult this will be, but there are some sound proposals being brought forward. I only wish that some of the common sense proposals in the Federal Crop Insurance Commission Report could be put into effect sooner than with the farm bill passage. Since most lenders require crop insurance, if a good risk management program is written, farmers will subscribe.

Environmental concerns are obviously an important overlay for this whole farm bill discussion. We farmers consider ourselves to be the original environmentalists. The National Association of Wheat Growers in cooperation with other major commodity groups has made a major commitment of time and talent to provide a strong proposal for the 1990 farm bill. I hope your committee will study and incorporate this proposal as the basis for the environmental title.

Finally, gentlemen, since barley is an important crop to us, we would like to see a separate barley section in the farm bill. Having barley included as a feed grain does not sufficiently address the peculiar nature of the grain, in that the same quality barley may, because of differing circumstances from year to year, be feed or malting barley. Inequities created by the present situation are vividly portrayed in the flawed formula upon which barley deficiency payments were calculated.

Flexibility to meet market demands; maintenance of the Export Enhancement Program; keeping a strong target price to cover cost of production; a risk management crop insurance program, a separate Barley Program; and a reasonable environmental section will go a long way to meet North Dakota Grain Growers expectations for a strong domestic Farm Program.

I would not be a North Dakotan if I did not add a postscript relative to the nightmare swampbuster and sodbuster have become. The fact that sodbuster and swampbuster became law before most of us were aware of the ramifications has created problems for you in Congress and for us as producers. Congressman Dorgan is trying to get class 1 wetlands—nuisance potholes—exempted as a practical matter. We agree and hope also that the penalties come more in line with the severity of the infraction. This topic may not directly come under your committee's oversight but it does affect grain growers ability to farm.

Thank you for allowing me that digression and thank you for coming. I will be happy to answer any questions that you might have.

[The prepared statement of Mr. Haugeberg appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much. Good statement.

Mr. Arnold.

STATEMENT OF LOUIS D. ARNOLD, PRESIDENT, NATIONAL BARLEY GROWERS ASSOCIATION

Mr. ARNOLD. Mr. Chairman, members of the committee. First of all, I would like to tell you that I am not in the 9 percent that received $500,000 or more from the Farm Program. I would also like to tell you that I kind of resent the fact of coming in here and having to present my testimony within 5 minutes, but I will try.

It is a pleasure for us to testify today. We as barley producers have three main things that I would like to get across to you, I think, in this testimony. One is having a separate section for barley and the Feed Grains Program. Another one is target prices and another one is the way that deficiency payments are calculated for barley at this time.

Briefly, I would like to tell you a little bit about malting barley. It is a speciality crop produced for a specific market and as such, the grain must meet rigid quality specifications. It must germinate at 97 percent or better in a malt house. It must have 13.5-percent protein and it must weigh 46 pounds or better to be a good malt barley and not be stained. The drought conditions of 1988 and 1989 made the spread between ordinary barley, feed barley, and malting barley as high as $2 to $2.50 per bushel. This abnormal spread caused unnatural calculations in determining deficiency payments for 1988 and 1989 crop years and under our very dry conditions right now, I think, we are going to have the same problems for 1990.

The National Barley Growers have spent many hours during the past years attempting to ferret out the methods and statistics used to establish loan, target prices, and average farm prices.

From what we have found, target prices for barley in 1981 and again in the 1985 farm programs were to be set at fair and reasonable levels compared to corn. Since 1981 when the methods used to determine target prices and loan rates were changed, barley producers, I feel, in the United States have been relegated to third-class citizens. Prior to that time target prices and loan rates for program crops were a function of the cost of production. The use of cost of production to set and annually adjust target prices was discontinued as a result of the Food Act of 1981. Since that time, target prices and loan rates for barley have been set based in relation to that of corn.

The target price for barley in 1981 was $2.60 per bushel and remained there for 7 years. During those same 7 years, wheat increased by 63 cents and corn 57 cents. Barley did not move, and why, we do not know. At the same time, the cost of production for wheat went up 4.5 percent and the cost of production raised about 4 percent for barley. This tells us that the target price for barley should have also increased.

We as barley producers feel that the way target prices are set for barley now is very, very discriminatory and must be corrected in the 1990 farm bill. Even more urgent is the fact that it should be corrected for the 1985 farm bill as well because, as you know, we are going to pay back our deficiency payment for barley due to the effects of the drought and if the target price for barley would have been set right in the 1981 farm bill and the 1985 farm bill, rather than paying back our 30 cents right now, we would be paying back approximately 8 cents which is just what the corn growers are paying back. Of course, it comes to 8 cents when barley is figured as a feed grain and on a feed value. That is why it does come down to 8 cents when you leave the calculation of malting barley out of there.

As a result of the—another unfair thing that I think is going on out here is that when the calculation for deficiency payment is made, all the malt houses—all the malting barley seems to be addressed in price. Not all the feed grain houses are addressed or gotten a price. And for the life of me, I cannot figure out the amount that they use to set that price. All elevators are supposed to send in the amount of production that is sold for that but we cannot seem to find out what the production is or what they have sold for that price.

Barley producers appreciate the opportunity to appear before you today, and like I say, we do feel that in order to correct the statements that I just made, we do need a separate section within the feed grains title to attack the things that pertain to barley. I do not understand why it is a program that is at the discretion of the Agriculture Secretary to put in. If he does not want to put barley in the program it is completely left out. It is not in the program unless the Secretary of Agriculture puts it in there. We would like that changed so that it is a permanent—something permanent in the program but not in the same section as corn. Leave it under the Feed Grains Program but give us a separate section in there. There is a precedent for doing that. There is a section in there for silage corn right now.

The rest of my statement is—I will just hit on the high points. We feel that the EEP program has worked very well for barley. TEA programs are also very good and we would urge the continuance of them. I was very glad to see that Secretary Yeutter came up with—and he wants an unlimited amount of funds for EEP. We would encourage programs that enhance farm storage because we feel that farmers have the ability to put their grain into the market a lot better than the commercial entities.

Another thing the—we feel—they are talking about flexibility and we feel that a flexibility program could work if target prices are realigned. A flexibility program is not going to work unless all the program crops such as oats, barley, corn, wheat, and soybeans, and if you are talking about sunflowers, have a true value that the farmer can sit down and say it is going to cost me this much for this crop and I am going to get this much from it. He will produce that crop then. But if target prices are not realigned to show him that, it is not going to happen. The farmers are going to grow wheat and they are going to grow corn. That is where most of the money is, so that is what they will grow.

That is the end of that statement. I would like to say something on the drought situation that North Dakota had the last 2 years and how it relates to my farm operation and I am sure my farm operation is not any different than 90 percent of the other farmers in North Dakota. This deficiency payback thing that you are asking us to pay back, we have already paid the Government, a lot of us, from 15 to 38 percent on our income tax on that money that we received. We have paid social security on it, we have paid income tax on it in 1989. Now we are going to pay it back in 1990 and we have no way of getting that money back that we have paid in 1989 on our income taxes. There is nothing there that says we can get that money back.

The certs we are getting for 1989 right now are the Disaster Program. We are taking 4 to 6 percent less on certs in the country than the amount of money that is on that cert. Farmers again are getting hit, 4 to 6 percent less revenue than what they really have coming. The Government appropriates 100 percent of that money in certs, yet we can only pick up 95 percent of that. I do not think that is right.

Another thing, due to the drought—North Dakota had a major drought in 1988 and again in 1989. It has really put a strain on our State and if these deficiency payments are paid back, it is going to be an added strain in 1990 for our agricultural production.

With this, I will quit, I see the red light is on.

[The prepared statement of Mr. Arnold appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Arnold.

Mr. Anderson.

STATEMENT OF FLOYD T. ANDERSON, CHAIRMAN, NATIONAL SUNFLOWER ASSOCIATION

Mr. ANDERSON. Good morning, Mr. Chairman and members of the subcommittee. I am Floyd Anderson, a sunflower and wheat farmer from Brocket, North Dakota, and chairman of the National Sunflower Association. On behalf of our 12,000 producers and the sunflower seed and processing industries, we very much appreciate the opportunity to present our views on the 1990 farm bill.

Mr. Chairman, I understand that our time is limited and I will try to make my points as brief as possible.

Our small industry is in serious trouble. We have lost over 70 percent of the sunflower acreage since 1981. This decline occurred while the world consumption of sunflower and other oils increased 35 percent. Unless the 1990 farm bill corrects this situation, we will not have a sunflower industry by 1995.

Mr. Chairman, our industry tried unsuccessfully to coexist with farm programs during the 1980's. We have supported efforts to allow oilseed planting on program crop acres. These approaches have failed. Less than 5 percent of the sunflower acres signed up last year under the 10/25 program were planted, despite favorable prices. Other substitution options have done no better.

This past fall, we proposed allowing producers to plant sunflower on conserving use acres under the 0/92 program for 1990 and still receive program payments. This would have been similar to the modified Normal Crop Acre concept being advanced by Senators Leahy and Lugar. Unfortunately, the Department turned down our request.

After much frustration and painful experiences, our conclusion is that simply having the opportunity to plant sunflowers on program crop acres is not enough, even when the return per acre is better than that some program crops. In addition to opportunity, the sunflower must have the same incentive, which we define as equal levels of income protection under the Farm Program.

Mr. Chairman, I would like to be able to tell you that our industry has figured out a way to increase the opportunity and incentive for producers to grow sunflowers at no additional cost to the Government, unfortunately, that just is not going to happen. All we can do is ask that you appreciate the crisis facing the domestic oilseed industry and make resolving it a top priority in this year's farm bill. In exchange, I offer the commitment of our industry to be flexible as possible in considering alternative solutions.

We would offer the following guidelines as the committee begins the legislative process. First, those involved should acknowledge that we are facing problems affecting all oilseeds, and that solutions must address all oilseeds. Soybeans, sunflowers, canola, and other edible oils compete for similar and related markets. Prices of the smaller oilseeds are determined using formulas based on the soybean oil contract on the Chicago Board of Trade. Any change in the competitive position of one oilseed—particularly soybeans, has a direct and immediate impact on the others. Thus, whatever is done with regard to one oilseed in the farm bill must be applied across the board to avoid disadvantaging producers of other oilseed crops.

Second, there is no question that soybeans are the benchmark oilseed crop in the United States. Soybeans represent over 95 percent of nonprogram oilseed production. Whatever policies are developed for the smaller crops will be influenced, if not dictated, by what is done for soybeans. The sunflower industry is committed to supporting any approach adopted for soybeans that is equitable and will make the U.S. oilseed industry fully competitive for domestic acreage and foreign markets.

We have studied several of the policy approaches proposed for addressing the problems facing the oilseed industry. With regard to the guaranteed equity loan plan advanced by the American Soybean Association, we support the establishment of the equitable income protection levels for oilseeds based on the target prices of crops that compete for acreage. In the case of oil-type sunflower, we have used cost-of-production data and the 1990 crop wheat target price of $4 per bushel to derive an income support of 10.2 cents per pound. The rate for confection sunflower, which has a higher production cost, would be proportionately higher.

Sunflower producers would also accept American Soybean's proposal to factor any acreage reduction requirements into the income support level and to restrict income protection to a portion of the production, based on stock levels or some other trigger. Alternatively, we are willing to establish an acreage base for sunflower and comply with ARP requirements in order to receive program benefits under the regular farm programs.

Our industry has lost most of its 1981 acreage and our crushing plants are operating at 50 percent of capacity. We need to regain acres lost over the past 10 years, at least up to a total of 3 million acres. So we believe that the opportunity to plant sunflower on program acres, either a percentage of the base or under a normal crop program concept, must be part of the answer.

We understand that the committee may also consider providing a marketing loan for oilseeds rather than adopting the regular Farm Program. The sunflower industry actively supported the effort to establish an oilseed marketing loan in 1987 as an effective way of competing for world markets with minimal Government interference. We would be very interested in working with the committee to develop a workable formula for an oilseed marketing loan if the committee chooses that direction.

We have also examined the modified Normal Crop Acreage plan offered by Senators Leahy and Lugar in November. We appreciate the increased planting flexibility the plan would provide and the recognition that oilseeds should be addressed across the board. One reservation, however, is that some producers may increase plantings of program crops in order to expand future program base acreage rather than increase the oilseed production. We look forward to working with the committee on the Normal Crop Acreage concept as a promising approach for allowing sunflower acreage to expand.

Mr. Chairman, sunflower is the second largest produced oilseed in the world. It is an attractive crop in our part of the country, where it works well in rotation with a broad range of crops and environments. Its per acre returns are usually better than most crop alternatives.

Our industry has never feared open competition with other crops for acreage or other oilseeds for markets. We have learned to fear only competition with Federal program benefits and foreign subsidies and trade barriers. We have also learned that policy change is an evolutionary process that can take many years.

Under the circumstances, the sunflower industry is convinced that our crop must have the incentive of an equitable income protection level in order to survive the next 5 years. We also need an opportunity to regain the acres that sunflower have lost during the 1980's.

We stand ready to work with you and the members of the subcommittee in developing and effective and practical solution to the crisis facing sunflower and other crops in the U.S. oilseed industry.

This concludes my oral statement, Mr. Chairman. I would be happy to answer any questions of the subcommittee.

[The prepared statement of Mr. Anderson appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Anderson.

Mr. Haugo.

Mr. HAUGO. Good morning.

STATEMENT OF DAVID A. HAUGO, PRESIDENT, MINNESOTA ASSOCIATION OF WHEAT GROWERS

Mr. HAUGO. This is kind of a Norwegian panel up here, the way it looks.

Good morning. I am David Haugo, a farmer from Waubun, Minnesota and president of the Minnesota Association of Wheat Growers and I am also on the National Wheat Growers' board and I would like to testify today.

In conjunction with being a wheat producer, I also produce barley, soybeans, corn, edible beans. I used to be a big sunflower producer, it was a good crop—so we have common interests here on the panel.

The 1990 legislation must protect farm income in relationship to costs of production and must include measures to manage wheat carry-over through on-the-farm storage and increased exports.

Mr. Chairman, as you are aware, many changes have taken place since the 1985 farm bill was written. The wheat industry has seen exports expanded, stocks reduced, and program costs lowered. This was due, in part, to the 1985 farm bill. However, we must remember that changes in macroeconomics and the two consecutive droughts were also major factors. We do not want to rely on another devastating drought to help the 1990 farm policies succeed.

In order for the 1990 farm bill to succeed, wheat producers will need income protection from low-market prices, increasing production costs, and inflation. We support the continuation of the target price concept as a way to provide income protection for farmers. The downward trend of target prices must be reversed and should reflect our increasing costs.

In 1984, farm target prices were at a $4.38 per bushel level and remained there through 1987. Since then, the support level has declined to $4. Using the purchasing power of today's dollar as an average of consumer prices, that $4 wheat today can only purchase what $2.70 did in 1980. It would seem that all consumers could understand that farmers who are also consumers cannot survive forever with wheat support prices going down, purchasing power decreasing and costs rising. We will need your help to convince other policymakers that they must accept an adequate level of Farm Program expenditures for our efficient and safe food system. We have all realized that the marketplace cannot consistently provide a fair price which is evidenced by the past 2 years where the national average prices have been well below our current target prices and while we have record low stocks.

Another very important point would be in the event of unpaid acreage reduction programs. In this case, the target price should be adjusted upward to directly compensate for income loss which would occur due to a reduction in harvested acres. This position, as well as many of our other statements, have been adopted by the National Association of Wheat Growers, of which we are a member State.

Target prices are for income protection and the Federal Crop Insurance Program should be used to manage risk. This program is not perfect; however, it would be disastrous to many farmers if the program was eliminated.

The Federal Crop Insurance Commission has made some very sound proposals that would help fix shortcomings within that program. With the 1990 farm bill, or through separate legislation, Federal crop insurance should be improved in order to attract more participation.

The 1985 farm bill provided some options for flexibility which were never implemented. The 1990 farm bill should take a cautious approach to base flexibility and allow a 15-percent shift in base without loss of base or deficiency payments. We are very concerned that flexibility will be used to decrease the ability of Congress to maintain an adequate safety net of income.

Mr. Chairman, Congressman Dorgan, Congressman Johnson, and Congressman Stangeland, as you can see, our concerns in Minnesota are very similar to the concerns of the people from North Dakota. In addition, we would like you to know that we are very much in support of efforts they, and their congressional delegation, are undertaking to roll back the repayment of the 1988 and 1989 deficiency payments until after we harvest a crop.

A major concern of this region is the unreasonable regulations that swampbuster has imposed. The regulations and interpretation does not have any common sense associated with it. If the supporters of swampbuster could only see the types of land that they so desperately want to regulate, we believe they would finally understand our fears about the legislation. For most infractions, the penalties are far too stringent.

We support Congressman Dorgan and Congressman Stangeland in their efforts to exempt type-1 wetlands from this regulation. We also urge that land that was planted to an agricultural commodity for 6 out of 10 years be exempt from the legislation, as well as wetlands of 1 acre or less. Part of the reason for that is that the years that they use in determining wetlands were the years 1981 through 1985. I am sure that Congressman Stangeland can assure you that in the Seventh District of Minnesota, they had 3 of the wettest years in the history in those 5 years. I have looked at photos of my own farm and in some of those years it looked like the whole farm was a wetland. In 1 year's period, we had 52 inches of rain. That is hard to remember after 1988 and 1989.

We are well aware that environmental interests will also play a large role in the writing of this farm bill.

I see the red light came on. We enjoyed being here and will be willing to answer questions. Thank you for the opportunity.

[The prepared statement of Mr. Haugo appears at the conclusion of the hearing.]

Mr. Glickman. Thank you very much, Mr. Haugo.

Next we will hear from Mr. Hardie. Mr. Hardie is president of the North Dakota Corn Growers.

STATEMENT OF WALLIE C. HARDIE, PRESIDENT, NORTH DAKOTA CORN GROWERS ASSOCIATION

Mr. Hardie. Thank you, Mr. Dorgan, members of the committee, for the opportunity to testify this morning.

My name is Wallie Hardie, I am president of North Dakota Corn Growers from Fairmount, North Dakota.

Corn is the principal crop in North Dakota, ranking fifth in the number of acres planted, after wheat, sunflower, barley, and oats. While most North Dakota corn is grown in the southeastern part of the State, corn acreage has the potential to expand to the North and Northwest largely due to new higher yielding early corn hybrids, if farmers have the flexibility to do so.

I would like to limit my comments this morning to two price support approaches that have been under discussion lately; normal crop acres and triple base. If I have time, I will deal with Federal crop insurance.

We are interested in the normal crop acre concept as one which would provide greater flexibility to the producer. There would appear to be a good deal of support for a shift toward flexibility in farm programs as more farmers become familiar with enterprise analysis in evaluating their management prowess. The bill introduced by Senators Lugar and Leahy which appears to embody the NCA approach indicates there is a lot of bipartisan support for flexibility on Capitol Hill.

On the negative side, the very scheme that would provide the producer the latitude to develop each year a crop mix that would allow him to maximize profits from the market may be good for him in the short run but harm the agricultural sector in the long run. For example, in 1978, under an NCA, farmers were able to increase barley production by 6 percent despite high participation in set-aside and diversion programs that year. It is likely that USDA's ability to control future production of specific crops would diminish under NCA. I wonder whether we are willing to face up to the consequences of that type of situation.

As far as triple base, a three-tiered acreage base for each program commodity, which is the essence of triple base, seems to provide flexibility to the producer along with a great deal of control for USDA. My concerns with this approach are:

One, this approach follows the pattern of computation A based on the sum of C and D, divided by the square root of D in the years 1987 through 1989. My point is that administrative difficulties are all too common in local ASCS offices. This is largely due to the lengthy information requirements and complicated calculations required by our present program. Simple is better.

Two, since no Government payments are received on the flexible portion of the commodity base, this approach seems to be a smokescreen for reducing the total level of price protection an individual producer would otherwise receive.

As far as Federal crop insurance, the North Dakota Corn Growers Association urges our members to consider crop insurance as a risk management tool. We oppose making crop insurance mandatory for participation in the Farm Program. I personally have never carried crop insurance, I considered it too expensive.

If maximum coverage were increased to more than 75 percent of loss, rates on lesser coverage should not be affected. In other words, those who desire to purchase more insurance should not be subsidized by those with lower deductibles. We strongly support efforts to simplify the program and urge that ASCS yields be used wherever possible.

A young farmer provision, which would roll in an appropriate yield would help offset the problems young producers have in establishing a reasonable production history.

This concludes my testimony this morning.

[The prepared statement of Mr. Hardie appears at the conclusion of the hearing.]

Mr. DORGAN [acting chairman]. Mr. Hardie, thank you very much.

Mr. Arnold expressed some concern about the 5-minute rule and I should tell you that it is not unique to this hearing. We have people in Congress who can speak for 20 minutes without beginning to draw their second breath and so we have implemented in Congress a 5-minute rule. That is the rule that we operate under. When Congress holds committee hearings in Washington, the same 5-minute rule applies that we are exhibiting here in Fargo. But the hope and expectation is that we can spend more time on questions and hopefully at the end of this have an open mike period.

Congressman Stangeland has an 11 a.m. appointment and had that scheduled prior to the scheduling of this hearing and he would like to ask some questions before he has to depart. Congressman Stangeland.

Mr. STANGELAND. Thank you, Byron. I apologize that I set those meetings with constituents before this hearing and I will have to leave.

I would like to point out to Mr. Arnold that that 5-minute rule applies to Members of Congress on the floor of the House.

My only question—this is an excellent panel and excellent testimony, but I do have one question for the oilseed growers. Are you considering or amenable to looking at probably establishing oilseed base in the farm bill, to work with?

Mr. ANDERSON. The sunflower producers, which is a much smaller percentage of the total oilseed base, would be willing to do that.

Mr. STANGELAND. I realize in North Dakota you have——

Mr. **Anderson**. We would be willing to go with a target concept alone, ARP requirements and the whole works. We are leaving our options open because we feel that probably the other options would be more liable to pass, such as the marketing loan. But when we compete against wheat and go to South Dakota and some of the other States that do have sunflowers, it is the program, the target concept that takes our acres away from us. Sunflowers have a little different situation.

Mr. **Stangeland**. I know that and I know that in much of central and north North Dakota, you lost previous base because you went into sunflowers and while you were growing sunflowers you lost the base and now cannot get back to another crop. I am just curious to know—I am not sure that is considered, I am not sure how it would work, but I am wondering how you feel.

Mr. **Smith**. Currently I guess we would prefer to avoid a base and a set-aside situation, speaking from the soybean point of view. We have reflected those factors into our graduated equity loan program where the formula as used that we proposed takes the corn and the cotton with ARP's into effect, and is calculated into our income support protection. So we would prefer to use that method rather than a base and a set-aside program.

Mr. **Stangeland**. Thank you. Thank you very much, Byron. I will have to be leaving.

Mr. **Dorgan**. Thank you very much, Congressman Stangeland.

Mr. Arnold, I was down and met with Clayton Yeutter, 1 week ago today, in fact, at his office and did at that time leave with him a two-page description of the specific problem with the computation of the barley deficiency payments. Why it is unfair to the folks that raise 70 percent of the barley—that does not get to the maltster and therefore did not command that premium price—to be required to pay back a deficiency payment that is predicated on prices that include malting barley. That makes no sense at all. I mean that is the most egregious of abuses to require that. The Secretary is looking at the statement that I left with him and promised to get back with me on it. But we need to do something about the whole area of advance deficiency payback. Commissioner Vogel's testimony is excellent on that point. I cannot agree more that you should not be required to pay back an advance deficiency payment on a bushel that you were not able to raise or sell that did not command the higher price. The whole premise is that if the market price goes up, you get the benefit of that. But if you did not have anything to move to the market to get the higher price, that is irrelevant—that makes no sense. So to ask somebody to pay back on that premise is just dead wrong, and the point that you raise in your testimony, Commissioner Vogel, I think is the right approach.

Senator Conrad has done a lot of work on the Senate side, I and Tim Johnson and others on the House side have been working very hard to try to not just postpone but also try to make some sense out of both 1988 and 1989 in terms of what should be paid back and what should not be paid back, because the current situation I think is terribly unfair to producers who did not have a product to move to the market and command a higher price and who now discover that this whole deficiency payback scheme is a one-way street.

Many producers did not get the target price. Most of you know that. It did not reach the target price because of a whole series of computations. If you do not reach the target price, the Federal Government says that is fine. But if the expectation is with the advance payment you might exceed the target price, then the Federal Government says come here, I want to talk to you, I want some of that money back. So it really is a one-way street, all pointed in the direction of the Government, and we do need to work very hard in the coming months to see if we can once again alter the payment requirements. The points that both of you made on that are excellent points.

I think this panel has provided some very complete testimony from a whole range of interests and I think you described it best when you said you raised all of the commodities that virtually everyone else was testifying about, and that is not too atypical. You will very often find producers who are raising four or five different commodities plus some livestock and are very interested in the whole range of issues. But the testimony you have given us in terms of your evaluation of how this Farm Program ought to move and how the 1985 act has affected you is just excellent testimony and is going to represent a good base of information.

Congressman Johnson.

Mr. JOHNSON. Thank you, Byron.

One of the objections we often make from rural America is that our urban colleagues are not as sympathetic as they ought to be to food security and farm programs, and there is some truth to that. But also part of our problem is that our individual commodities sometimes have conflicting interests, particularly in an era of a shrinking financial pie, shrinking amount of funds and resources available for our farm programs.

I wonder in this case, with this panel, if Mr. Haugo from the wheat growers and Mr. Hardie from the corn growers, would comment on the soybean interest in a graduated loan program which obviously is not a large dollar item, at least by ASA's computations, but nonetheless is a new-cost factor introduced into the overall financial environment. And I wonder if the corn and wheat growers have any comments about that kind of expansion of program.

Mr. HARDIE. From the corn growers perspective, we are very supportive of the graduated equity loan for soybeans. We view the soybean growers as a sister organization, we feel that what is good for soybean growers—basically if they are growing soybeans properly, they will not be growing more corn and so we are certainly supportive of that.

Mr. HAUGO. From the Minnesota Wheat Growers' perspective, I know that we are interested in what the soybeans have proposed, we are supportive of it. I guess one of the things that has bothered us and certainly bothers me is the budget pressures. Yet we look at where Farm Program payments have gone in the last 3 or 4 years. We hit a peak in 1986 I believe it was of $26 billion. The numbers we see now, somewhere under $10 billion. That is reducing expenditures in this area and I know we go to national meetings and we hear people from Congress and everybody say there is all this pressure on the budget and all the time we have said we will take our share but I think we have taken a lot more than our share. We as farmers are also taxpayers, most of us, and we are consumers. That is something that a lot of people forget.

Today we have talked cost of production. I do not think too many of us have said what is our cost of living. We live in rural Minnesota, the rest of these guys live mostly in rural North Dakota. Our cost of living is probably as great or greater because of things that are unique to our areas. Most of us do not live on old McDonald farms where we pick the eggs and milk the cows, we buy those eggs and milk and stores and we need something to maintain a standard of living. And I do not think that standard of living should be any less than members of families that have moved on to urban areas. I am not ashamed of wanting to live like a brother that lives in the Twin Cities, for example.

Thank you very much.

Mr. JOHNSON. Well it is good to hear the unity on programs among the commodities here, that is very helpful. And I think you raise a good point on the overall complexion of financial resources that are committed to farm programs. We have been on a roller coaster, we went from about a $3 billion Farm Program in 1980 to a high water mark of $26 billion but we are down closer to 10 or 11 now and headed down. So in the last couple of years we have taken about a $15–$16 billion reduction in terms of taxpayer expenditures on the commodity price support side of farm programs, the overall Farm Program costs less than 1 percent of the Federal expenditures this year.

So it is a very modest price to pay for what amounts to a consumer subsidy. I think in many respects, it is the price for cheap food policy that this country seems to be bent on. And so I think the consumers and the taxpayers are getting a very good buy. Nonetheless, I think many of us do feel that to the degree possible, we would like to see more and more of that farm income come from the elevator instead of the ASCS office. I think philosophically that is where our producers would like to go and I think the taxpayers would like to go there as well. But absent those good market prices, there is no doubt about it that we need to continue to be very aggressive in maintaining a decent crop price support program, otherwise we are going to see ourselves in a situation with very few farmers, a lot of production at very low prices and it is going to be very good for some big grain dealers but it is going to be a lousy deal for family farmers.

Thank you for your comments.

Mr. DORGAN. Might I just make a comment and then ask one other question. First of all, this whole issue of how much the public is going to commit through the Government to a certain program is a matter of priorities. It is not as if we are not spending money on other things, the same budget that we are talking about proposes nearly $200 million on the trip to Mars in the next year, beginning that research and development, $1 billion more for Star Wars, $1 billion for Panama, construction or R&D on beginning the Minuteman Missile Program which is probably a $25 billion program. So it is not as if when someone says there is no money, that they are not spending more money on other things. And my point has been that a good Farm Program is a whole lot more important than a trip to Mars for the folks that live in the Farm Belt.

So I would like to ask this question. I do not understand why there seems to not be very much energy coming from Kansas and the Dakotas and Nebraska directed at people who say we see a future of $3.35 target prices for wheat. My sense says that people in small towns whose main streets are dying or near dead, people who are hanging by their fingertips on the financial windowsills on the family farm, should be exhibiting a whole lot more energy in opposition to that, because that really is going to threaten the lifeblood of what is left out here in the Farm Belt. What is the mood out there and why are policymakers, USDA, and others who are pushing that, not seeing more energy resisting it?

Carl.

Mr. HAUGEBERG. May I respond, Congressman? I agree wholeheartedly. As I said, we talk $4.80. I think we in agriculture have been pikers in asking for our share of the pie and providing the most basic commodity, the Nation needs food, and for world trade. When we went in that one time and asked for help for the Farm Credit System, we asked for $4 billion and we used $2 billion. The savings and loan bailout is megabucks.

I have no problem myself coming in and asking for basic income support to maintain a quality of life out here in rural America, and I think we as organizations have to motivate our people and put the pressure on. I guess we are not comfortable with the idea of tractorcades and such to create attention. We hope we can do it as businessmen appearing in places like this, and we are certainly asking you to carry the story. Please ask us what we can do to help you. I think that is where we should be.

But I have no problem in asking for support that will maintain a quality of life in rural America.

Mr. DORGAN. Might I just ask one further question. Ms. Vogel, I heard the other day, the President say that the economy is in excellent health and I suspect it is in Hollywood and on Wall Street and there are 16 States in the country that are exhibiting robust economic growth. But there are a whole lot of States where we do not have excellent economic health. I think it would be hard to characterize what is going on in this Farm Belt as representing excellent economic health.

What percent of the farmers in North Dakota are at risk? I know that some farmers who do not have debt are able to get along and do all right, but there is a group of farmers out there who I assume are at risk of being washed out of the production cycle here in the next several years unless something intervenes to change the economic course out here. How big a group is that?

Ms. VOGEL. I think it is very large and has potential for getting larger. The 1989 drought I think hurt us more than the 1988 drought because we did not have the grain stocks to sell. I think one indication is that we have 1,100 new mediation clients this year. That is a whole lot. We had the highest clientele at the mediation program, used to be called credit counseling, than we have ever had. I saw a number a couple of years ago from a survey of farms with no debt load at all, they owed nothing on their land,

and 25 percent of them were unable to cash-flow. So I think it is serious.

I was just in Texas and saw a study that was prepared by four of the Texas colleges and they said if the target prices are frozen at the 1990 level, they projected mammoth losses of income and mammoth losses of liabilities and equity positions of these farmers. I will leave that with you, that is February 1990. It is very scary.

I think sometimes sure, you can get into sort of confusion when you talk about who is in trouble, but what we are seeing at the mediation program is that more and more people just cannot cash-flow. You cannot tinker with credit any more. It has to be the income. I heard one of our FmHA county supervisors call in, he had seen 28 people, regular clients that were current, 26 could not cash-flow of those 28. The creditors are all saying it is going to be a lot tighter this year. The payback of the deficiency will take $81 million out of the State this year. It is a very serious situation. And the drought is still on in full force.

Mr. **Dorgan**. Well thank you very much again. The panel gave excellent testimony this morning.

Mr. Haugo, did you have a point?

Mr. **Haugo**. Yes, I guess in reaction to that question about why are the tractorcades going or is there not a lot of energy, we asked that question of ourselves and I think part of it is that we have come through probably the most devastating time of those of us that are farming today can remember, I guess those that were farming in the thirties remember something. And when something is really on the bottom and it gets a little bit better, you kind of get relief, and that is part of what has happened. The drought has happened—in Minnesota we look at two economies, one in we call it greater outstate Minnesota and one in the Twin Cities area. There is definitely—there are some real concerns out in rural Minnesota. I come from an area that came through the drought fairly well the last 2 years and yet when I look at my neighbors that are my age and their sons are off to college and they are not coming back to the farm. I was fortunate—I think I am fortunate, I have two sons that are farming with me. But young people are looking at other places to go and I am sure that is not unique to rural Minnesota.

Mr. **Glickman**. Before you all leave, and I would like our corn man, Mr. Hardie, back up for 1 minute. Sorry about that. But I have to get you on the record on something.

First of all, I agree the testimony was excellent here, but Mr. Arnold talked about this whole issue of relationship of target price to each other. I am not sure who else mentioned that, but I know that Mr. Haugeberg—I guess you did also. We had testimony in Washington from farm economists who said yes, we do have to reorient target prices. Barley is too low. But let me tell you what else they said and I want your response on some of this. They said in relation to each other, wheat is too low, corn is too high.

Now Mr. Hardie, how do you feel about that?

Mr. **Hardie**. Well we have our own study. [Laughter.]

Actually we did commission a research firm to look into target prices and compare where are we sitting relative to wheat and barley and so forth and, no, we would not go along with that assumption that the corn prices, corn target prices are too high. In fact, we have a resolution by all State presidents saying that we want to freeze target prices at current levels and increase them with inflation throughout the 1990 farm bill.

We have no problem with adjusting the other commodities, but I think we have the evidence that our target price is in line with the rest.

Mr. GLICKMAN. Yes, Mr. Haugeberg.

Mr. HAUGEBERG. We certainly do not think that corn target prices should be lowered. We do think there are probably inequities. I know people in complete corn country, farmers in complete corn country, that have had a major rebound financially, but we have not seen it in wheat country. I visit with National Wheat Grower people from the Pacific Northwest through Oklahoma, Kansas, all over, we have experienced this gigantic rebound that other farm sectors have probably experienced. We are saying maybe it should be looked at and wheat should be raised.

Mr. GLICKMAN. Well the only reason I mentioned that is I think the barley situation is a serious problem, I think Mr. Arnold is correct. We have had testimony about that in Washington. We are going to try to deal with that problem because one of the reasons we have had some misallocation of production, particularly in the whole corn/soybeans area, has been there have been a lot of farmers who planted for the corn target price who otherwise would have planted soybeans in this country. Now that does not mean the corn target is too high, it just means there was not a soybean program, and also you would lose your base if you went from corn to soybeans. We tried to deal with that a little bit in last year's disaster bill. However, we have got to adopt some form of Soybean Program this year. You guys cannot stay out of this program forever, you are the second largest crop in this country next to corn, you are an $11 to $12 billion crop and you just cannot go it alone any more. I assume you are shaking your head yes, that you agree with that. But this whole issue of relationship of target prices to each other is a real important issue because it misallocates the marketplace if target prices are not aligned properly.

And so we need to examine that without prejudicing one commodity as well. I just thought that was something that is a tough problem because it is a complicated one, but it is one that we will do.

Yes?

Mr. ARNOLD. I would like to comment. We are not advocating to pull corn target down either, but if you go back in the 1985 farm bill, you will see that the participation in the Corn Program has been around 90 percent for the farmers, which tells us that they are in agreement that the program is right. Barley participation has been down around 70 percent in the program which tells me that they are not too well satisfied with the program.

Mr. GLICKMAN. Sure.

Mr. ARNOLD. So it is just another way of saying I think that target prices have to be adjusted so that we could come up with a fair price for our product and if price protection is to be that, they have to be.

Mr. GLICKMAN. OK, we thank—yes, go ahead, Mr. Anderson.

Mr. Anderson. You spoke of soybeans being out of the program. Well sunflowers is in the same position.

Mr. Glickman. That is correct, I meant oilseeds.

Mr. Anderson. Our crop is a little different in that we compete against the wheat target and in our particular case in the Dakotas, we cannot get into the wheat situation because last spring with the 10/25 program in place and $11.40 contract price in April, it would have indicated that the farmer economically should have switched some of his acres to sunflowers instead of having all wheat, if you were just looking at the economics. With the drought conditions that we had, nobody was willing to give up the guaranteed part of the program benefits, the deficiency payment, so they just did not do it, we did not attract any acres. So just flexibility is not the answer.

Mr. Glickman. Right. I think that is an excellent point. Thank you all for your testimony, it was excellent.

Byron, do you know if the Governor is coming in?

Mr. Dorgan. He is not here yet.

Mr. Glickman. Thank you.

The next panel is Mr. Andrew Heinze, director of the Dakota Resource Council; Mr. Terry Jacobson, president, Northern Plains Sustainable Agriculture Society; Mr. Darrel Oech, president of the North Dakota Association of Soil Conservation Districts; Dr. Norbert Dorow, agricultural economist with North Dakota State and then we have a Mr. Nowatski, who wanted to testify as well, with the U.S. Canola Association.

I am going to ask you to go first, Mr. Nowatski because the others relate to conservation programs and I thought that maybe rather than you having to sit here, maybe you would be able to get yours out of the way first.

Mr. Nowatski. Thank you, Mr. Chairman.

Mr. Glickman. And again, I would remind you, do your best to stay within the 5-minute period, summarize if you can.

STATEMENT OF ROBERT E. NOWATSKI, MEMBER, BOARD OF DIRECTORS, U.S. CANOLA ASSOCIATION

Mr. Nowatski. Thank you, Mr. Chairman and members of the committee. My name is Bob Nowatski, I am a wheat, barley, flax, and canola farmer from Langdon, North Dakota. I am appearing here today on behalf of the U.S. Canola Association, of which I am a member of the board of directors. USCA represents producers, processors, seed companies, and others interested in the development of canola and rapeseed as an industry in the United States. In that sense, my testimony will fit in perhaps better with the previous panel and I do appreciate the opportunity to be first on this panel.

In addition to being a member of the board of directors of USCA, I am also a member of the North Dakota Oilseed Council, which is a sunflower, flax, safflower, crambe, and canola research and promotion organization funded through voluntary grower checkoffs.

Our association was formed in June of last year in response to the rapid growth of interest in canola among U.S. farmers, consumers, and agribusiness. Canola is a new crop opportunity in this country. Commercial production began in 1985 when the Food and Drug Administration granted approval for use of canola as a food product. Since then, several processing companies have set up crushing plants to handle canola, including the plant that we have at Velva, North Dakota which is the Nation's first to be dedicated to crushing canola oil as an edible oil.

Demand for canola in the United States has grown much faster than domestic production. Canola has the lowest saturated fat content of any of the commercial oils, about 6 percent. This demand appears to be very much consumer driven. Food processors are using canola in snack foods and other products as well as selling it in bottled form. As a result, imports of canola oil last year, primarily from Canada, totaled the equivalent worth of approximately $100 million, up dramatically from almost nothing just a few years ago.

Spring varieties of canola and rapeseed are very suitable for much of the north-central region and present, for North Dakota farmers especially, a rare opportunity for diversification. This crop is very well adapted to much of North Dakota and many other areas of the northern plains.

I would like to comment briefly on the current Farm Program and provide our position on the 1990 farm bill. The canola industry supported extension of the 20-percent substitution provision in the 1989 Disaster Act to maintain access to planting on program acres. Our experience last fall was that, due to several factors including USDA's decision to encourage increased wheat acreage, producers in the winter canola areas did not in fact take advantage of the substitution option. Without program flexibilities with adequate prices and incentives, that same situation is likely to occur in this State and region.

As a result, we joined the sunflower industry in requesting USDA to allow planting of canola on conserving use acres under the 0/92 program for harvest in 1990, with deficiency payments on the planted acres.

In our view, allowing producers to receive full program payments under this kind of substitution program would be the best way to broaden the opportunity to grow canola under the current program. Our industry also favors providing producers with unrestricted flexibility for canola to be substituted for program crops.

As a very new crop, we are understandably concerned about any program that would restrict canola production to any historical base acreage. Any base concept should be designed to allow producers to continue to build a canola base on free acres and should have a shortened base period for building that acreage base.

We are aware of a number of alternative proposals to provide some form of income protection in order to maintain or encourage oilseed production. As a new oil crop with only a fraction of national oilseed production acreage, canola is in no position to suggest whether and how oilseed income should be supported under such plans.

It is, however, clear that any oilseed program that includes income support features must apply to canola as well as other crops. All oilseeds compete basically for the same or similar markets and their prices are interrelated. If only one oilseed crop is provided with special benefits, it would severely disadvantage the others.

Therefore, Mr. Chairman and members of the committee, we would urge you and other members of this subcommittee to include canola and rapeseed in any oilseed program that provides income protection or allows producers to market their crop at prices that are competitive in the international market. We do not support or oppose such an approach. We simply do not want to be disadvantaged if such a program is adopted into this year's Farm Program.

In closing, Mr. Chairman, the canola industry sees the current Farm Program, including the lack of an adequate Federal Crop Insurance program on canola, as restricting the potential growth of this canola industry. If the income protection provided to program crops is equalized, our prospects would improve. Our bottom line, therefore, is to be treated the same as other oilseed crops with which we compete in the market and with the crops with which we compete on the individual farms.

The demand for canola oil in the United States is consumer driven, the demand exists now and the demand is growing dramatically. We need a Farm Program that encourages domestic production of canola so that our producers can in fact fill this demand, rather than the U.S. having to rely on foreign imports. The recent implementation of the United States-Canadian Free-Trade Agreement serves to put the United States canola producer at increased risk.

Just a couple of other additional comments, I believe that as we approach the debate and the formulation of the 1990 farm bill, that you in Congress have a rare opportunity I think and perhaps responsibility, to look at desirable goals and objectives in such a Farm Program. I believe that such a Farm Program needs long-term goals, not short-term quick fixes. I think such a policy needs to encourage production diversification, needs to allow flexibility. It needs to, I believe, do a better job of targeting farm income to both increase the income base and to maintain income stability if we are to be successful in order to attract and retain young people into the farming industry.

In conclusion, I think agriculture today needs less risk, not more speculation. The industry needs greater income protection and income stability.

I compliment you and the other members of the committee for bringing this hearing out to the country to allow farmers to participate in the hearing process.

Thank you.

[The prepared statement of Mr. Nowatski appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

Mr. Heinze.

STATEMENT OF ANDREW A. HEINZE, DIRECTOR, DAKOTA RESOURCE COUNCIL

Mr. HEINZE. Mr. Chairman, members of the committee, my name is Andrew Heinze, I farm near Dazey in east central North Dakota. I am representing Dakota Resource Council, which is a grassroots membership organization dedicated to preserving family farms and natural resources. The Dakota Resource Council is a member of the National Family Farm Coalition.

The declining prices for agricultural production is destroying small businesses, limiting opportunities for people to own personal property and restricting economic development. The disposable income in our community must increase substantially or our rural areas will continue to erode. I believe the biggest threat to our natural resources is actually economic.

The Family Farm Act contains a parity pricing mechanism for the production of the Nation's base commodities. The act also contains provisions for strict supply management to lessen the cost of storing excess commodities, international trade agreements to establish marketing shares for exporting countries. Also that importing countries will have access to a more reliable, higher quality commodity. Sustainable agriculture to encourage less chemicals, higher quality products, and lower production costs. Farmer commodity reserves so that in case of disaster or drought, the consumer will be protected and the producer will have grain to market.

Current pricing mechanisms of a loan rate and target price is much too costly to the taxpayer and gives little security to the consumer or producer.

Historically, market prices have followed the CCC loan rate and we do not need expensive deficiency payments. What we do need is an equitable price that covers cost of production and a reasonable return on investment and labor, loan rates at a floor of 75 percent parity with an increase of 3 percent a year until 90 percent is achieved. That would provide the growth and economic prosperity needed. This would actually provide $400 million additional disposable income to North Dakota.

The supply management system under the 1985 Food Security Act is in a shambles. It makes no sense to be spending millions of dollars trying to export Spring and Winter wheat while at the same time we are importing Durum wheat. There is no reason to be spending millions of dollars seeking exports of soybeans and feed grains while at the same time importing oats and beef.

What we need is a strict supply management system which will align production with demand and reserves. A bushel based system that will allow farmers to diversify land use. Strict supply management is the tool needed to hold the Government costs in line and create stability in the marketplace and not a mechanism to raise prices to an artificial level as it is often incorrectly asserted.

Current legislation supports monocropping and inelastic crop choices. The long-term production capability and soil capacity are in question.

The sustainable ag section of the Family Farm Act addresses the environmental concerns that our Nation is facing. This part offers incentive and flexibility to farmers to voluntarily enter into a program that would lessen dependence on chemicals and diversify land with cropping options that tend to be less chemical intensive.

The costly Reserve Program that put a lid on market prices in preceding years has to go. Many times we heard of reports of grain going out of condition and multinational grain companies reaping profits from their inflated storage costs. The voter will no longer put up with these foolish expenses.

The Farmer Commodity Reserve has an important part in the Family Farm Act. It is designed to address disaster relief and crop insurance. It sets aside an amount of commodities isolated from the market to be used during natural disaster. It also provides a cushion for the farmer if he or she has a production shortfall.

The administration's position on the GATT regarding agriculture must be rejected. The elimination of import controls and export restrictions only places farmers in a position in which he must bid down his or her standard of living in order to compete internationally.

The harmonization of sanitary and phytosanitary regulations will surely result in lower food safety standards for the United States.

What we need are responsible trade agreements that reflect every nation's sovereignty over its natural resources. We propose that every exporting nation develop, by agreement, an international market share. Also, that these nations share in the responsibility of maintaining a world grain reserve.

Teddy Roosevelt understood this and said, "The world is never more than 1 year from starvation." President McKinley said, "Cheap prices mean cheap incomes and a cheap people."

The late Dr. John Lee Coulter, one time president of the college here in Fargo, and chief economist and one time head of the U.S. Tariff Commission, gave his recommendations to a Senate Committee concerning reciprocity and access advantage and privilege between trading countries. He said: "The reciprocal trade agreements program should not be continued; or if they are continued agreements entered into should either be approved by the Senate as treaties, or by both houses of Congress as legislation intended to produce revenue or to regulate commerce." In the eyes of many, Dr. John Lee Coulter was a true descendent of the eminent men who wrote the U.S. Constitution.

By and by, I think of how a neighbor has passed and when my time may come. And if I had stood up for him if I would have been better off. Hear our cries. If you cannot pass a family farm bill that sustains communities and wage earners with a value of production above costs, then defer to the permanent farm bill. The whole country would be much better off. Do not negotiate the future of Americans for the benefit of a few multinational trading companies. Food is peace.

Thank you, Mr. Chairman, for bringing this field hearing to the great State of North Dakota. I would be happy to answer any questions.

[The prepared statement of Mr. Heinze appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

Mr. Jacobson.

STATEMENT OF TERRY C. JACOBSON, CHAIRMAN, NORTHERN PLAINS SUSTAINABLE AGRICULTURE SOCIETY

Mr. Jacobson. On behalf of the Northern Plains Sustainable Agriculture Society, I would like to thank you for the invitation to give testimony before this hearing.

First of all, I would like to say that the 1985 Food Security Act has not worked well for farmers. Some of the primary reasons for this are:

One, the base acreage allotments are not equitable.

Two, the program is too rigid, not providing farmers enough planting flexibility.

Three, it has served grain traders better than farmers.

Four, proven yields have led to distorted supports for some growers over other growers and greatly accentuated the heavy use of chemicals and fertilizers.

Five, the drought of the past 2 years has done more to reduce grain stocks than the farm bill. However, low loan rates and more slowly declining target prices have created huge budget exposures and also provided inadequate levels of income for farmers.

Regardless of the manipulated statistical reports of the Agriculture Department trying to prove that farmers are better off this year than last, I know of no farmers in North Dakota that say they are surviving better this year than last year. We are very close to a depression in rural America.

The problems with the 1985 farm bill that I mentioned earlier, affect most farmers, but they hit those of us who use sustainable agriculture practice particularly hard. We tend to have significantly lower program bases because we employ diverse crop rotations to meet the important management needs that are solved through crop rotations. Proven yields lead to much higher support of chemically intensive farms over more sustainable ones.

The Government can do much to put agriculture on a more sound base by designing the right type of commodity program.

A key element of such a program is to target Farm Program benefits to family farms. Such targeting should actually consist of a higher target price on a limited number of bushels or pounds which would represent the first basic units of production rather than all the production on that farm. The target price should be set at a figure above the cost of production.

A second key is flexibility for farmers. I am uneasy using this term because it has been used for so many widely varying proposals from planting alternatives to various versions of decoupling. Conventional and sustainable agricultural farmers alike need to be able to select crop rotations that work on their farms. This has been very difficult under the 1985 farm bill. Growers who opt for a good diverse crop rotation lose base and Government payments. To rectify this, we would call for a return to Normal Crop Acreage. This would be an amount of land on the farm that is eligible for Farm Program benefits. We believe this should be a percentage of the total acres of that farm that can be farmed without excessive erosion. We recommend some range between 66 percent and 80 percent of that qualifying land to make up the normal crop acreage. This percentage would be equal for all farms. This would simplify the program and yet increase the fairness to all farmers who are in the program.

Such a program would do away with assigned base acres and proven yields, both of which skew farm benefits to certain individuals. Simplification would benefit both farmers and Government. Each producer would have the same level of price protection, though some may not farm enough land to be eligible for the whole amount.

To reduce the possibility of abuse of the normal crop acres flexibility by total monocropping, we would suggest that farmers be limited to no more than 66 percent of the normal crop acreage being planted to any one program crop. This would help encourage more crop rotation.

We would also like to see the target price increased on oats since it is both a feed grain and a human food and is not being produced in adequate volumes in this country at present. We would also request such crops as rye, millet, sunflowers, flax, and buckwheat be made program crops eligible for support so that the emphasis would not be so great on wheat, barley, and corn.

Erosion levels must be further reduced in this country. We suggest that a goal be set for soil erosion reduction down to T-level, the level at which soil is regenerated, by the year 2000. This would give us a decade to solve this problem. Farmers do care about the land, but we cannot exploit farmers by paying inadequate prices for crops and expect them to adequately protect the land. While adequate farm income is not necessarily a guarantee for good farm stewardship, low prices that exploit farmers almost ensure exploitation of the land.

Last, we would strongly encourage increase in LISA funding. The growing interest in sustainable agriculture I think justifies this kind of research and it is not likely to be funded by industries looking to high profits. Biotech research at present receives a much higher amount of funding than LISA.

And we would encourage considering environmental effects and effects on family farms and rural communities in all agricultural research that is undertaken.

Thank you.

[The prepared statement of Mr. Jacobson appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

Mr. Oech.

STATEMENT OF DARREL L. OECH, PRESIDENT, NORTH DAKOTA ASSOCIATION OF SOIL CONSERVATION DISTRICTS

Mr. OECH. Mr. Chairman and members of the committee, my name is Darrel Oech, president of the North Dakota Association of Soil Conservation Districts, a membership organization of elected and appointed soil conservation district supervisors in North Dakota.

Our members, local officials, are vested with the responsibility to provide for the conservation of the soil and soil resources of the State of North Dakota. The Soil Conservation Districts receive a large portion of their technical assistance from the Soil Conservation Service and focus that assistance to the nearly 45 million acres of this State.

Chairman Glickman, I thank you for scheduling this hearing in North Dakota and providing our organization an opportunity to testify before this subcommittee. I would like to speak on six topics:

One is water quality. We are well aware of the hazards of allowing surface and ground water to deteriorate to the point of causing harm or damage to people and our environment. Water quality issues appear to be on the front burner not only in soil conservation districts in North Dakota, but in the U.S. Congress.

We also recognize production agriculture may be a nonpoint source contributor in areas of the country. However, agriculture producers are becoming more aware of proper pesticide storage and use, proper application of nutrients, appropriate animal waste handling and distribution systems and continued emphasis on controlling soil erosion.

We believe that any new feature of the 1990 farm bill should be incentive driven. Emphasis should continue to be placed on educational efforts, technical help from resource agencies, continued research on water pollution control methods and appropriate cost share where warranted.

Two is low input sustainable agriculture. The concept is excellent and to a degree practiced by every farm producer in North Dakota and in their production program. We again hope that the concept will gain momentum as we seek cooperation with farm producers. An appropriate approach for the implementation of LISA should be pilot or demonstration projects on selected farms and ranches. The LISA concept needs careful research and testing. We would suggest LISA not become a requirement to qualify for the Federal Farm Program in the next farm bill.

Three is the Agricultural Conservation Program. Our organization continues to be a very strong supporter of the Agricultural Conservation Program. It is an old program and it works. We are especially pleased that Congress approved a slight increase in program funding in the fiscal year 1990 funding as funding slipped a few years ago.

ACP provided incentives for farmers to protect their land against wind and water erosion with soil conserving practices. In our State, the program is important. We have the most aggressive shelter belt planting program in the country, largely due to the ACP cost sharing.

Farmer producers also receive incentives for permanent vegetative cover, sod water ways, saline seed control, wildlife habitat, pipelines for livestock watering and other practices.

Four is the Great Plains Conservation Program. The Great Plains Conservation Program has been a very popular program in North Dakota and the Great Plains States since the 1950's. The program allows the producer to plan and implement all the soil and water conservation needs on his ranch or farm. He can schedule the work over a period of up to 10 years, enter a contract with the Soil Conservation Service and have cost share funds set aside until the conservation work is done. The authorization of the Great Plains Conservation Program is due to expire in 1991. Our organization supports reauthorization of the GPCP for another 10-year period.

Five is water bank. The Federal Water Bank Program remains a popular program in North Dakota and we urge the Congress to provide appropriate funding since the program does provide landowners an economic incentive and alternative to wetland drainage and perpetual easements offered by the U.S. Department of the Interior. Our association continues to be opposed to the concept of perpetual easements for both water bank and wetlands eligible for CRP.

Six is wetlands. Our organization continues to believe type-1 wetlands should be exempt from the wetland definition. The wetland determination process has been completed in North Dakota, however the penalty remains severe for any violation, regardless how minor. The swampbuster provision is being very strictly administrated and monitored in our State. Our organization contends that type-1 wetlands should be exempt from the wetland definition and the new farm bill should provide for that exemption.

Mr. Chairman, thank you for the opportunity to present this testimony.

Mr. GLICKMAN. Thank you very much.

Dr. Dorow.

STATEMENT OF NORBERT A. DOROW, AGRICULTURAL ECONOMIST, EXTENSION SERVICE, NORTH DAKOTA STATE UNIVERSITY

Mr. DOROW. Congressman Dorgan and members of the committee, I appreciate being invited to this hearing. Most of the witnesses here today represent their political and economic positions of their respective organization. As an agricultural economist at a land-grant university, my role is to analyze Farm Program proposals and their likely consequences.

North Dakota is one of the most agricultural States and is heavily dependent on farm commodity programs. Under the 1985 farm bill, net farm income in North Dakota did increase considerably but it was heavily dependent on Government programs.

Last spring we conducted a survey of North Dakota farmers to determine their opinions on farm policy. Forty-one percent favored the present type of programs, the other 60 percent were divided among separate payments from production, mandatory supply management, and elimination of commodity programs.

I would like to comment briefly on several of the program proposals in relation to wheat, feed grains, and soybeans, not particularly on conservation.

The concept of more flexibility has been proposed—has been discussed this morning. The advantage of course is it would allow farmers to respond to market signals and may encourage improved cropping and conservation practices. However, research indicates that flexibility would not increase the overall market demand. Prices of some commodities would rise, others would decline so the gross market income would probably change very little.

Net farm income would fall to the extent of the decline of deficiency payments if those payments are made on reduced payment base. However, for individual farm situations, they may be able to increase their income.

Just a few comments on target prices, on adjusting among commodities, which has already been discussed this morning about corn and barley. Here in North Dakota full production is declining, we are a major oat producing State and the United States is now the world's largest importer of oats.

I think the proposed flexible program and higher target price for oats would encourage oats production.

Also there have been comments this morning about more assistance to the intermediate and smaller farms and again the target prices and the adjustment of top payment bases could be used to distribute a larger share of the deficiency payments to these intermediate and smaller sized farms, relative to the very large ones.

Commodity reserve seems to be an issue. It is very important to emphasize the 1988 and 1989 drought periods. Two major options seem to be the Government held contingent reserve or a Farmer-Owned Reserve or some combination there of. North Dakota farmers favor a Farmer-Owned Reserve.

Another issue is the commodity loan rate as related to grain quality. Research done by Dr. Wilson on this issue indicates that the current program encourages poor quality grain in storage in CCC stock. Adjusting loan rates to reflect costs would help to alleviate this problem.

Finally, the Export Enhancement Program is important for our wheat and soybeans. The Export Enhancement Program was included in the 1980 farm bill to allow U.S. commodities, particularly wheat, to be competitive with the highly subsidized exports from the European Community where they had increased their wheat exports by 500 percent since the 1970's. USDA research indicated that 20 percent of the increase in wheat exports in the last few years has been due to the Export Enhancement Program.

Also, any agreements that may come out of GATT in its deliberations by the end of this year, may influence our future farm and trade policies, but in the near term, it appears that the United States will need to continue to address trade policies to regain and maintain our share of world trade, particularly for wheat which is very important in North Dakota.

Thank you for your attention.

[The prepared statement of Mr. Dorow appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you, excellent statement.

I think these were all excellent statements. Mr. Dorgan.

Mr. **Dorgan**. Mr. Glickman, I am not going to ask questions, although I was very interested in the statements presented. The Governor is here and we do want to conserve some time so that members of the audience can make presentations, but I will defer asking questions for that purpose, but I really do appreciate the different perspectives you brought to this subject, different than the other panels had been discussing. We really appreciate that and the statements were excellent.

Mr. **Glickman**. Mr. Johnson.

Mr. **Johnson**. No, I do not have any questions, but again, I do appreciate the statements given here because I think this is an important component of the farm bill process, relative to low input and the new emphasis on ground water, chemical usage, and so on. So I think the observations here were well-taken.

Mr. **Glickman**. Thank you all very much for your testimony.

It is our privilege to have the Governor of the State of North Dakota, Governor Sinner, here. We are delighted to have you here. We bring a little bit of Federal dollars into town, at least spending the night here and spending a little bit of money, although Byron is not buying us lunch or anything, so I am not sure we are going to spend as much money as you would probably like.

Governor **Sinner**. Byron will show you how to work the blackjack tables.

Mr. **Glickman**. No, I tried to go in last night and he said he would not touch it with a 10-foot pole. [Laughter.]

Anyway, we thank you very much for being here today.

STATEMENT OF GEORGE A. SINNER, GOVERNOR, STATE OF NORTH DAKOTA

Governor **Sinner**. Thank you very much, Mr. Chairman, I am pleased to be here.

This year marks a milestone for the people of North Dakota, as it does to Congressman Johnson's people in South Dakota. It is during this year that we begin the second century of our statehood. 1990 also signifies the end, we hope, of an economically and climatically tumultuous decade, particularly for the farmers of our State. We see the potential for better farm prices and we pray ardently for the end of the drought.

The decade of the 1980's brought with it a series of peaks and valleys for producers. We have witnessed dramatic swings in commodity prices; the highest real interest rates in U.S. history; a bloated dollar; lost markets; incredible reserves; declining land values; devastating drought and sudden loss of reserves; strangely continuing depressed markets; and through it all, a catastrophic decline in rural economies.

It has been tough for everybody involved, but North Dakota farmers have endured troublesome times before. I am drawn to a passage of an endeared leader of this State, then Governor Bill Langer, who presented before the 25th State legislative assembly his State of the State message, and made this comment:

He said:

> Regardless of adverse conditions, our people have remained and have struggled along. We all know about the wonderful resources this State possesses in climate, fertility of soil, in mines and in minerals and in the integrity of our people. All we need are fairly normal conditions, such as this State has had in days past, and a helping hand, to again bring conditions of progress and prosperity to us.

Governor Langer then went on to clarify that that "helping hand" he referred to was the Federal Government. Through proper coordination with the Federal Government, the Governor knew North Dakota farmers, and indeed those across the country, could thrive and endure as a cornerstone of American life and prosperity.

Today, a half century later, Governor Langer's message still holds true. In this time of devastatingly irregular weather conditions and intense global competition, the Federal Government must not lessen its commitment to the American farmer. Instead, it needs to restrengthen its agricultural policy. Quite clearly, the world's governments must be certain their people have secure food supplies. That very frankly means reserves, hopefully shared and carried worldwide. It means other countries will ensure some level of domestic production.

Now obviously these two necessities make a reliance on free market prices out of the question. Because they, in and of themselves, change the whole market dynamic. Reserves and protected domestic production become essential components in a world whose history is filled—if anybody ever looks at any history—with years of plenty and lean years. Hunger, often revolution, follow in societies deprived of life essentials. And frankly, governments are going to do the best they can to see that their people are not exposed to that deprivation of life essentials. The loss of reliable farm food providers threatens capability and commitment to ample food even in this country. With that in mind, let us look at 1990 farm bill needs.

Everybody knows of the budget austerity in Washington and we have watched target prices be reduced over the last 5 years. But as we watch, we realize that waiting for a market recovery, even in the face of extremely low reserves, may be a zero sum game. Expressed concern about rural development has a mighty hollow ring when farm families are consistently and tragically forced from the land. While target prices and Commodity Credit Corporation loans have been reduced each year, cost of production has continued to increase. Farmers are one of the largest consumers of farm implements, services, and products that continue to rise in price. The bottom line is that the target price or loan price must be raised, or a combination of the two. And inconsistencies in devising target prices have to be abrogated. Certainly basing malt and barley target prices on feed value does not work at all if you want to maintain high quality supplies for maltsters, both in the United States and worldwide.

I know that one alternative has been or will be mentioned today, retailoring the Farm Program to target income protection to a base volume of production per actual farm family. Commodities produced beyond that base would be sold at market prices or something near that, allowing farmers to respond to market demands.

If such an approach is pursued, it is imperative that the program provide for individual farm families, not just farms, because farmers working together to gain efficiencies is a critical need in the current farm setting. And I am sensitive to that particularly because my family has a long-standing farm partnership for which this kind of consideration is very critical, but I can tell you very candidly that the efficiencies gained in farmers working together is a very significant part of our future.

The targeting approach would not only restore the Government's commitment to the family farm, but it would also prove cost-efficient for the Federal Government. Properly done, it could also in turn encourage farm efficiency and cooperation between farmers. Rather than forcing savings from reduced target prices, cost reduction could be achieved through a retargeting of price supports.

Certainly export enhancement programs are critical, given the current world setting, but this approach could reduce the cost of export enhancement programs as well.

The 1990 farm bill should also consider the Government's commitment to oilseed producers. While global demand for vegetable oil and oilseed meal has been increasing at a rate more than double that of wheat and coarse grain consumption, oilseed production in the United States has not responded. In fact, since the 1981 farm bill, our combined oilseed production of sunflower, soybean, and flax has declined by 15 million acres.

We need to provide planting flexibility to producers so they can respond to these current market demands, and that has to be done with a good deal of intelligence. In so doing, we need to treat oilseed crops equally to other crops in terms of price support. Studies indicate that greater planting flexibility could increase farm net revenues by $1 to $2 billion and that the proper rotation of oilseed crops would address a number of environmental concerns.

It is critical, however, that all oilseed crops, including low volume ones like canola, be fairly covered by basic programs, insurance and disaster programs or flexibility efforts have no way of encouraging new crops.

The administration has proposed zero funding for the Federal Crop Insurance Program for the year 1991. In a State like North Dakota, which has consistently been a national leader in FCI enrollment, abolishing the program could induce staggering problems, especially if disaster assistance programs do not treat all crops fairly.

Clearly we need an insurance program, but one that works. Until 1989, less than 30 percent of acres eligible nationally were enrolled in the program. Probably the main reason for higher enrollment in 1989 is that farmers that suffered losses in excess of 65 percent of their yield in 1988 were required to enroll in the 1989 crop insurance program. But the fact remains that many farmers do not purchase Federal crop because the coverage available is not adequate to cover the investment made; costs are too high; recordkeeping is too complex; not all crops are covered; and farmers do not feel the system accurately reflects yield histories and crop market values or their specialty crops are not insurable.

However the insurance program is provided, these obstacles must be addressed. Coverage must warrant investment. Specialty crops, like buckwheat and canola absolutely must be included to encourage more diversity and to make the insurance program real.

Moving on to the conservation title, I guess I share the concern about the direction taken by some of the conservation provisions in the 1985 Food Security Act. Certainly we support including wetlands but some extreme regulations, like swampbuster and sodbuster titles, have set an incredibly negative tone. Many farmers view these provisions as an affront by the Federal Government and the environmental community, especially when suggestions like felony charges for violations are floated around.

Frankly, there is a better way of handling the conservation title and I am encouraged to know that Secretary Yeutter touched on this during his presentation of the administration's farm bill proposals this week. Positive incentives for conservation compliance and programs should be provided to farmers—not negative ones. A positive approach would go a long way in alleviating the resentment farmers feel right now for this whole area.

As a retiring 33-year veteran of the Soil Conservation Service in North Dakota eloquently stated at his recent retirement party, "When moving from a voluntary conservation program to a mandatory program, the Federal Government forgot that it was dealing with the farmers and ranchers of this country, the people who have done the best job of dealing with the conservation of our environment, even while they made the U.S. population the best and cheapest fed in the world." He went on to say that of his 33 years with the Service, he really only enjoyed the first 30. That leaves the 3 years since the passage of the 1985 Food Security Act. He believes this act disastrously set back farmer/ASCS relations, and I agree with that.

I think the 1990 farm bill should promote the use of positive conservation incentives.

One positive approach to swampbuster being considered in Washington at this time clearly defines those wetlands falling under the auspices of swampbuster. Any land which produced an agricultural commodity or was considered planted 6 years between 1975 and 1985 would be considered a prior converted wetland and exempt from swampbuster. An approach such as this could go a long way in mending poor relations and in clarifying the law.

The harassment that occasionally accompanies the cleaning of existing drains should be stopped too. And some clear delineation of what is a wetland and the leaving out of some of the No 1's would help all of us.

I am also concerned about the effects of the Conservation Reserve Program. While CRP has allowed some producers to stay on the land and has taken some highly erodible land out of production, I believe it also has had some harmful social and economic effects in some regions of North Dakota and the country. Before any more land is enrolled in the program, I believe a serious reexamination of the eligibility criteria is necessary, as well as a prudent review of the program's effect on rural areas. Then, if further enrollment periods are still deemed necessary, I would recommend that stringent eligibility criteria be enforced to ensure that only well-defined highly erodible acres and true wetlands be enrolled. To quality, true wetlands would have to pass the same test as the one I mentioned earlier, applying to swampbuster. In those Eastern States that have long since abandoned their wetlands, a broader definition would perhaps be justified.

Capping county enrollments should at least be no higher than the current 25 percent and maybe even lower.

In conclusion, the 1990 farm bill has to deal with a multitude of weighty problems. And with so many remarkable changes taking place worldwide, it would be easy for Congress and the Federal Government to forget about farmers, a fundamental part of this Nation's prosperity.

But it is imperative that the Federal Government not forget its commitment to the American farmer. Our GATT negotiations are certainly a factor in assuring global support for needed reserves and for recognizing the Nations' needs for food security, but a domestic food and farm policy remains extremely critical. Farmers need the right kind of helping hand more than ever. And the Government must not overlook the importance of a strong agricultural community to national prosperity and security as well. In terms of both international and domestic significance, John Kennedy summed up American agriculture best when he said "American agricultural abundance can be forged into both a significant instrument of foreign policy and a weapon against domestic hardship and hunger."

All of us need to keep that in mind and work together to build a good farm bill. We must.

[The prepared statement of Governor Sinner appears at the conclusion of the hearing.]

Mr. Glickman. Governor, we thank you for your statement. We also thank you for your leadership generally on the issues of agriculture in this country. I have been with you before on drought meetings in Washington and other kinds of things where we made major substantive changes in these efforts because of your efforts, both legislation in the 1988 and 1989 drought bill, but also on the administrative and regulatory side of the picture. You are out on the firing line all the time and some politicians can escape it but Governors usually cannot escape it, no matter how they try, and that is not why you ran for this job anyway.

Anyway, we appreciate it very much and we will do our best to represent the interests of North Dakota farmers when we write this farm bill.

Byron.

Mr. Dorgan. Governor, we had promised an open-mike period for members of the audience and for that reason I am going to defer questions, but I think your statement is excellent and I, too, recall when the first drought began a couple of years ago, you were the one that called the initial meeting that brought the Secretary of Agriculture and Members of the House and the Senate and Governors together at the same table, and I, too, want to commend you on the leadership you have displayed on these issues. Thank you very much.

Governor Sinner. All of you who were active participants in that effort need to be commended. For once in my life, I saw Members of Congress of both parties, the administration, Governors, forget about political game-playing and almost worked a miracle by passing probably the most amazingly successful piece of legislation I have ever seen in about 30 days. So you guys did a good job.

Mr. Glickman. Mr. Johnson.

Mr. Johnson. No questions.

Mr. Glickman. We appreciate you coming, Governor, very much.

Governor Sinner. Thanks very much.

Mr. Glickman. We have about 10 minutes or so. We have to catch a plane to Sioux Falls and so we would invite anybody to come up who wants to say whatever is on their mind. Do your best to keep it as brief as you can and state your name. Anybody who has written statements, please bring them up here. But anyway, state your name, relax, no big deal. You are following the Governor, very few people have that opportunity.

STATEMENT OF TOM WILEY, FARMER, NORTH DAKOTA

Mr. **Wiley**. My name is Tom Wiley. I am the owner-operator of the Wiley Wonder Farm, 3,000 acres southwest of Jamestown, Montpelier is my address.

I call it the wander around and wonder what to do every day. My wife, Gail, and I try to farm. I am married, I have three children and one on the way. My wife Gail and I went over the ASCS maps the other night trying to plan for 1990. It is unbelievable difficult figuring out how to make a dollar. The next morning I got up and I was listening to the radio. President Bush comes over—they were talking about him, he says he wants to drop crop insurance. It hit me like Mike Tyson would hit me to the head. We need crop insurance. It is a tool for getting credit and it gives us at least a base for planning.

True wealth comes from the ground and through the grace of God may the rains return. Foreign aid is super, but do not forget where true wealth comes from. We need help and please go back to Washington and demand a bigger piece of the pie.

Good luck and happy trails.

Mr. **Glickman**. Thank you very much. Both quantity and quality, that was about the right message.

Yes, sir, go ahead.

STATEMENT OF LAWRENCE JAFFE, FARMER, MINNESOTA

Mr. **Jaffe**. My name is Lawrence Jaffe, I am a farmer from west-central Minnesota. I want to thank you all for coming.

Just a couple of short comments. I guess when you look at the name of the 1985—a lot of people call it farm bill, but it was the Food Security Act, and I feel I guess we have a supply management system in this country unsurpassed anywhere in the world. When we sit and listen to all the ideas, I guess unless we go with a loan for the cost of production—a loan rate for the cost of production, we are going to keep hearing more things about targeting payments and everything else. The farmers do not want the taxpayers to pay their income, the taxpayers do not want to pay the farmers. We are eventually either going to go to a loan rate that will sustain agriculture or we are going to keep targeting payments or get so small nobody will be included. So I just think we have to take a look at where we are going and maybe now is the time to change course.

I get sick and tired of reading the newspaper and being called a welfare bum, all the time somebody else is stealing the fruits of my labor.

Thank you.

Mr. **Glickman**. OK, thank you very much.

Yes, sir.

STATEMENT OF DOUG J. LEMIEUX, FARMER, ROLETTE, ND

Mr. **Lemieux**. Doug Lemieux, Rolette, North Dakota.

I really appreciate the opportunity to come and speak to you. I come from a rich heritage. My ancestors came to North Dakota in 1886. They homesteaded where we would like to continue to farm. We live right near an Indian Reservation and we have a vast and rich heritage and one of the elders of the tribe told me one day, he said "You know, the difference between the farmers and the Native Americans is when the natives were removed from the land, we got a treaty." We are being forced from the land, because of poor economic times in the farm sector.

In my home township since 1981, we have reduced—we had 11 farmers, homesteads. We now have five. Four of those people left, not because they wanted to, they left because of the poor economic times out there.

Right now in the United States we are told we have strong economies, but I do not see it in North Dakota. I see it on the east coast and the west coast. And it is not true strength in economy. True strength in our economy comes from the agricultural sector and the true productive sector. When we have strength coming from the military sector—under former President Reagan we built our economy through military might and our deficit soared so that now the interest on our deficit is almost as staggering as the interest on my farm. [Laughter.]

As a farmer I know where the Government is at. We have interest bills so high that there was no way that we could turn around. We need a Farm Program that is going to allow us as farmers to produce a good commodity at fair price. We do not need to be told we are poor managers, that we are not good environmentalists. I live on the land, I drink the water that comes out of those wells. I do not need to be told you are abusing the water with your chemicals and fertilizers. I know that if I do that it is my children that will be poisoned.

And in addressing Mr. Dorgan's question, what are we doing. We in Rolette County had a forum, Farmers Union, Farm Bureau and NFO got together and organized a forum and what do we agree upon? First off and foremost, we need to have a fair price for our farm products. Second off, we cannot be restricted by environmentalists telling us that we cannot do any sodbusting or swampbusting. It goes against our general ideals as farmers because we know what is best for that ground. The Soil Conservation Service tells us that we cannot plow pack or drill any more because we have highly erodible ground. Well a plow packer and drill in the sandy land near Rolette is the ideal way to farm that ground.

Some of the other things, we do need Federal crop insurance that is fair and equitable. We need a Federal crop insurance that is for the farmers, not for the insurance companies. That is just like we need farm credit, but we do not need guarantees so that the bankers are guaranteed that they will not have any losses. We need guarantees that the farmers will have a fair, real interest rate. We cannot sit by out here and have interest rates on the real interest rate side being up in the 10, 12 and at times in the 30 percent real interest cost—real interest I shall explain, is interest minus inflation. And when we had deflation in the agriculture sector and we were paying 15-percent interest and we had deflation of 15-percent, we had 30-percent real interest cost.

And then we have to go to the Government to ask for our financial institutions to be bailed out. What we need is fair cost of credit. What we need in this country is where the producers write the farm bill, not the multinationals. I was told by my local elevator man that I would be better off to seed wall to wall and produce wheat for $2 a bushel and get the balance of my income from the Federal Government. That is not fair, that is not equitable. What we need is a fair price.

I thank you for your time and I sure would hate to be in your shoes writing this farm bill.

Mr. **Glickman**. Actually you would be a pretty good Secretary of the Treasury. He is the first guy that I have heard in years that understands what the Federal debt is all about.

We need to try to get you three in about 1 minute apiece because we are going to have to make an airplane, but we want to hear you.

STATEMENT OF JOHN N. FINSTEAD, FARMER, LISBON, ND

Mr. **Finstead**. Thank you very much. I am John Finstead from Lisbon, ND. I just want to tell you gentlemen, I did not grow up on a farm, I grew up going to my grandpa's and always wanted to be a farmer, so I went to college to learn how to farm, supposedly, and worked for my uncles and I worked for a real good farmer over in Davenport, ND. I always thought I still want to be a farmer.

Well I started farming in 1986 and a strange thing happened. In January 1986, I bought the farm, all of a sudden Ronald Reagan lowered the loan on all the commodities and all of a sudden base acre were like gold. Well John is sitting there with basically no base acres and no way to make money. I sold corn for $1.20 a bushel that following fall and I guess what I am getting at is all I want is an even chance to compete.

Gentlemen, on my farm corn is what I want to raise. I do not care what the price of kidney beans or navy beans or soybeans or sunflowers or flax or anything else is doing. It is corn, it is good for my land, it prevents my land from blowing, my cows can graze the cornstalks and everything else. I want flexibility in the farm bill. I can rotate with alfalfa or some other crops, but the base crop is corn and that is what I want to raise. I would greatly appreciate it if you gentlemen could include some flexibility and do it, because why should I be tied to my predecessor's way of life and way of farming? I must say it is not fair, but that is just the way it is, I should be allowed to adjust to marketing conditions.

Mr. **Glickman**. Thank you very much, good statement. Whichever of you wants to go first.

STATEMENT OF OWEN J. GUSTAFSON, FARMER, MAYNARD, MN, ON BEHALF OF FAIR FARM POLICY

Mr. **Gustafson**. Members of the committee, my name is Owen Gustafson, I am a farmer from Maynard, Minnesota.

I come to you today on behalf of an organization called Fair Farm Policy and we have submitted a written statement to the hearing.

In a competitive free-market environment, we all compete with each other as wheat, soybean, and feed grain producers. We also compete with producers of other commodities. It is very important that your committee make every effort to ensure that a fair, competitive environment exists between commodities in the 1990's.

One area that we feel needs special attention is the relationship that sugar producers have with wheat, soybean, and feed grain producers. Under the 1985 farm bill, sugar producers enjoyed nearly a 10-to-1 margin in net profits per acre over wheat, soybean, and feed grain producers. This advantage, coupled with no limits on acreage expansion has resulted in a 23-percent increase in sugar acreage in Minnesota and the Dakotas from 1985 to 1989.

Grain farmers are unable to financially compete with sugar producers, so when sugar expands, it buys or rents away land from grain producers who are unable to do anything about it. An example of what is happening is something that happened in my own farming operation on a piece of ground that I rented in 1989 for $63 an acre. That was a fair rental value. That ground was rented away from me by a sugar producer for 1990 and he paid over $100 an acre—an example of the inequity that is out there right now.

That is the third tract of land that we have lost to sugar and this scene repeated thousands of times in agriculture.

Fair Farm Policy put together a proposal that is included in the testimony we have given to you that shows very clearly and we can substantiate that there is a 10-to-1 margin. I would like to remind you that the U.S. Department of Agriculture has recently completed a study "Cost of Growing Sugar Beets." That study was done strictly for the year 1988 and that study very closely parallels the numbers that we have put together, basically proves the fact that there is a 10-to-1 margin in net profits between sugar producers and the commodities that you represent.

Mr. Chairman, Fair Farm Policy is only asking for fairness and equity in the 1990 farm bill. It will not be drought, mud, hail, or grasshoppers that will put us out of business, but if the current policies continue we will be out of farming because of the farm policy that gives a competing commodity a strong financial advantage over us.

There are two ways that this problem can be solved——

Mr. **Glickman**. I hate to do this, we are going to have to run real quick. If you could just summarize in about 10 seconds.

Mr. **Gustafson**. Two ways to solve the problem as we see it. One is either to raise our prices up to levels so we can compete with sugar, the other is to bring sugar back into line so there is competitiveness again.

I think that it is safe to say with the political realities, it is not possible to raise our prices up, so we think the only fair solution is to bring the price of sugar back down to a real world price so that there is an even playing field amongst all commodities.

I urge you to consider that when you study the 1990 farm bill.

[The prepared statement of Mr. Gustafson appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you very much.

Sir, you are the last witness today.

STATEMENT OF WALTER. L. HABERMAN, FARMER, La MOURE, ND

Mr. **Haberman**. My name is Walt Haberman, I am from La Moure, ND. I have a written statement and I will skip the biggest part of this, I just want to hit on a few things on crop insurance.

I guess I feel we need an increase in our yields. We could probably go on our ASCS yield until all the farmers have an APA Program. Raise the levels 100 percent, possibly eliminate the units if we could have 125 percent guarantee, possibly go to $1 policy instead of a bushel yield with a flat percentage for $100 coverage—or $1,000 coverage, eliminate some of the loopholes and some of the paperwork in the program, keep the private industries in crop insurance and give them some input in the program. They have had years of experience in the hail business. And use realistic market values, not 15 cents on pinto beans and 40 cents on dark red kidneys. Try to keep Crop Insurance Program costs in line and probably have no Disaster Program if you can have a good Crop Insurance Program.

Thank you for your time.

[The prepared statement of Mr. Haberman appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

We want to thank you all for this hearing today.

I sometimes think that while all the witnesses were good, I think there was more wisdom in the last six than maybe in everything else because that is the way the world—that does not mean to demean anybody else, it is just that folks out there who are working trying to survive are usually the ones who have the most common sense.

We will do our best to write you a good farm bill. We urge you to keep Congressman Dorgan adequately informed on a lot of the specifics. It will be written during the next 4 months and I am sure some folks will be coming to Washington, but just keep your eyes and ears open and if we are doing anything that just sounds awful, scream loud and we will do our best to respond.

We thank you for your hospitality here. The hearing is adjourned.

[Whereupon, at 12:07 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF ALAN BERGMAN, PRESIDENT
NORTH DAKOTA FARMERS UNION
BEFORE THE WHEAT & FEED GRAINS SUBCOMMITTEE
OF THE COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES
FARGO, NORTH DAKOTA
FEBRUARY 9, 1990

My name is Alan Bergman. I operate a diversified small grains and livestock farm near Jud, North Dakota. I am the president of the North Dakota Farmers Union.

The North Dakota Farmers Union is a general farm organization consisting of 28,923 dues-paying members. We have represented family farm agriculture and the rural cooperative movement in North Dakota since 1927.

We believe that the basic issue facing this nation in the development of the 1990 farm bill is the structure of agriculture. The 1990 farm bill should begin the process of targeting the benefits of federal farm policies to the family farm.

Family farm agriculture should be the primary beneficiary of our nation's farm policies. Unfortunately, under the 1985 farm law family farmers have become residual beneficiaries.

The current farm law has been managed to the benefit of agribusiness, especially the multinational grain trade and food processing conglomerates. Those within the food and agribusiness complex have been enjoying record profits, during the decade of the 1980s, while family farmers have been going out of business at an alarming rate.

In North Dakota we began the decade of the 1980s with 40,000 farm units. Today, we have less than 33,500 farms, a loss of at least 6,500 farms. In other words, we have lost one of every six farms in the state during the past decade. This has meant an enormous loss in our rural economic and community structures.

We believe the decline in the number of farms, especially family farms, must be reversed. Nationally, the loss in farm numbers has been almost exclusively within the mid-size commercial farm unit (the family farm).

There are those who believe that things are improving in agriculture and rural America. We believe that a closer study must be made of the statistics that are being used to make such claims.

We do not believe that rural America is on the road to recovery. To be honest, most of our members are barely keeping their heads above the economic water line. While the drought situation has compounded and accelerated the problem, it is not the cause of it.

The cause of the economic instability in North Dakota is the inadequate price support level of the commodities that we produce. The condition for agriculture in our state is very precarious.

Every time the price support level is lowered there is a new group of farmers who are put on the economic chopping block. These are not inefficient producers. These are producers who do not have the equity that gives them economic staying power.

Those who mistake survival for economic recovery are making a serious judgmental error about what is really happening in rural America.

Recently our extension service published a report that farmers who have quit since 1985 have made the transition to other occupations with less stress and greater financial success than those who left farming prior to 1985.

For some this report indicates things are getting better, but they overlook that farmers are still leaving agriculture, and there are fewer opportunities on the farm.

The trouble with many of today's agricultural statistics is that they are looking at a broad range of averages, rather than looking at typical farms. We have great diversity within agriculture.

The statistically average farm is no longer a typical farm across the nation. There are significant regional differences, based on the types of commodities produced, in terms of the level of specialization, and in terms of sizes of operation.

For example, a recent report published by USDA's Economic Research Service indicated that cash grain farmers could be in serious financial trouble this year, despite a general improvement in the nation's agricultural sector. The report specifically pointed to wheat and corn producers.

The report said, "If the 1990 farm bill continues to lower target prices in the spirit of the 1985 farm bill, government payments could continue falling and impose financial strains on vulnerable operators in the years to come."

The report also indicates that net cash income will likely exceed $50 billion in 1990, up between two and four percent from 1989. But, if net cash income is figured with changes in inventory, depreciation and other items, the net cash income is expected to drop between two and five percent.

The report also indicates that drought has "obscured the impact" of the reduced target prices by momentarily improving prices.

Last fall, the Food and Agricultural Policy Research Institute forecasted that net farm income would fall 27 percent by 1996. When adjusted for inflation and measured in constant dollars, the actual drop was estimated at 43 percent less net farm income.

This forecast assumed good weather, that target prices would remain constant and that loan rates would continue to be lowered. It also assumed there would be no worldwide recession and that foreign dollars would continue to come in at reasonable interest rates to finance U.S. debt.

Recently there was a news report that North Dakota led the nation in growth in personal income. After some analysis, those statistics were found to be virtually useless in measuring the economic conditions within the state.

I have attached a letter that I recently sent out to our county presidents expressing our concern over these and other statistics. We are concerned that such misinformation can lead to some poor policy making.

The growing disparity within agriculture compounds the problem of determining the economic health of agriculture and the family farm. For example, in testimony before the full committee in the first hearings on the 1990 farm bill, former Secretary of Agriculture Bob Bergland pointed out that at the end of 1987 there were 29,000 farmers with annual sales of more than a half million dollars each. These farmers had an average net income per farm of $738,000 each. Those farm units accounted for almost half of the net farm income for that year. That doesn't leave very much for the rest of agriculture to share.

For over two decades, family farmers have witnessed a deterioration in the price support and supply-management provisions in each succeeding four-year farm law. The 1985 farm law was a continuation in that trend and became the most expensive, the most complicated, and the least effective farm law in modern agricultural history.

The 1985 Food Security Act has not achieved its objectives, nor has it delivered on its promises to producers and consumers of this nation.

The 1985 law was based on the assumption that if loan rates were reduced to so-called market-clearing levels, then the United States would no longer provide an umbrella of protection to other producing nations, and could then regain export volume and export market-share.

At the same time, the United States was supposed to clear its grain stocks while forcing other nations to reduce their production and their exports into the international marketplace. Once grain stocks were cleared, prices were supposed to rebound to the advantage of U.S. producers.

First of all, stock reductions have not been achieved through increased export volume, but primarily by drought.

Secondly, despite minimal wheat stocks, prices continue to be artificially low, and have not returned to reasonable profit levels.

While the dollar volume of exports has increased, export volume still lags below anticipated levels. At the same time, grain exports are even more heavily dependent upon direct export subsidies.

Competitor nations have not reduced their plantings, their subsidies nor their habit of under-cutting the U.S. established price levels.

Instead, the most evident result of the 1985 farm law has been to escalate international agricultural trade wars with our longstanding allies. It has also increased the profit margins of the multinational grain and food conglomerates, and provided bargain basement prices to subsidize consumers worldwide. Ironically, these consumer subsidies have disproportionately gone to societies which we have considered political and military adversaries.

These developments under the 1985 Food Security Act have been achieved at the expense of the American farmer, consumer and taxpayer.

Today, there are hundreds of thousands fewer family farmers, net farm income is disproportionately held by a fractional percentage of superfarms, and the nation's food processing, packing and distribution system is increasingly concentrated in horizontally and vertically integrated food giants.

The 1985 Food Security Act has not, and will not be a success story and should not be the basis of the 1990 farm bill.

The American family farmer cannot afford more of the same. Continued reductions in target and loan rates will not increase competitiveness, but instead it will bankrupt both producers and rural communities.

Instead, the nation must refocus its farm programs.

Price supports should be directly related to the costs of production.

Commodity bases should be expressed in bushels, not acres.

Acreage reductions should reflect tillable acreage, not commodity bases.

Payments should be made on actual production, not on land history.

Farm program benefits should be targeted to family farm operators and limited to the level of production required to provide a reasonable livelihood to families on the land.

The original goal of national farm policy was to provide family farmers a parity of income with families in the other sectors of our national economy. That goal has been lost and almost forgotten in the maze of current national farm policies.

Commodity programs, pricing levels, acreage reductions, commodity bases, yields, deficiency payments, exports, etc., have become goals onto themselves, rather than the means to the objective of assuring a reasonable livelihood to families on the land.

Producers have lost confidence in the mechanisms of farm programs, such as commodity bases, yield calculations, etc., because they no longer serve the interests of producers in production adjustment and price stability. Instead, these program facets have been used and manipulated on behalf of the buyers in the marketplace to the detriment of producers.

In addition, these farm program mechanisms have become the battleground for disputes among commodity interests. They have been used to gain advantages for a given commodity and processors of a given commodity, rather than for the interests of the agricultural producer. They have factionalized farmers and fractionalized the farm program.

The last number of years this has become increasingly evident as there are more and more exceptions to allow production of non-program crops on program acreages. These have been the beginnings of decoupling of farm commodity programs.

We do not define flexibility to mean decoupling. The decoupling proposals that have been offered tie program "entitlements" to land bases, rather than to operators. In essence this means that these "entitlements" are capitalized into the land, and the beneficiary is the landowner, rather than the farm operator.

Flexibility requires that price protection is provided so that farm operators can have a safety net on their production, rather than entitlements on their land. We believe that flexibility and targeting are compatible and complementary objectives.

For the past number of years, our state organization has been developing a targeting approach which we believe would provide a simplified and more direct program for family farmers. To return to the goal of assuring producers a reasonable livelihood, we would provide farm income protection on the first basic units of commodity production of family-sized farm units.

Our proposed "Family Farm Protection Act" would provide a minimum pricing level for the base production of family farmers. Production beyond the initial price protected volume would be sold into the market at prevailing market prices, used for feed or stored. In case of disaster, stored commodities would be eligible under the price protection provisions in a subsequent year.

In other words, the farm program would provide a safety net of protection for a specific level of production. After that producers would be on their own. They would need to make judgments based on the marketplace for the level of risk they would be willing to take beyond the initial price protection.

We would provide the price protection through a combined non-recourse commodity loan and deficiency certificate. The loan would be set at 110 percent of the national average production costs.

If the market prices are less than the loan rate, the deficiency certificate could be used to redeem the loan so the grain could be sold into the market. The certificate would be valued at the difference between the loan rate and the prevailing market price as periodically determined at the county level.

We would target these loans to the base production of a family farmer by establishing a limit on the loan volume. Based on our experience within North Dakota, we would suggest that no producer would be eligible for more than $100,000 in commodity loans on an annual basis.

To encourage diversification, we would also place a $50,000 annual loan limit on any one commodity. These loans would be available to wheat, feedgrains and oilseeds.

We would do away with individual commodity bases on a farm unit. By using the loan system, we are tying the price protection to actual bushels produced rather than to a specific land base and yield.

Producers would determine their own acreages, fallow, rotation, etc., based on the capability of their land and their evaluation of prevailing market conditions.

To be eligible for price protection, the producer would have to develop an approved conservation plan and carry out approved conservation practices.

Crop acreage would be based on tillable acres determined through accepted conservation standards.

Whenever total national commodity supplies are in surplus and an acreage reduction program would be necessary, participating producers may be required to set aside not more than ten percent of their tillable crop acreage in an unpaid land diversion. An additional 15 percent paid land diversion could also be required if needed.

Price protection would be targeted to farm operators who rely on farm income for their livelihood. Persons with net off-farm income above a specified level would not be eligible for these commodity loans. We are suggesting that the net off-farm income above the national median family income could be the appropriate cut-off level. This would allow beginning and part-time farm operators to supplement their income from non-farm sources. At the same time, it would deny farm program price supports to off-farm investors and to higher income professionals who make their primary livelihood from non-farm sources.

In addition, we would limit price protection so that no person may have interest in or receive income from more than one farm business entity which receives commodity loan/price deficiency certificate price protection.

We fully recognize that these targeting mechanisms are stringent. It is our way of underlining the importance of redefining the primary objective of national farm policy and focusing it toward the traditional family farm unit.

Targeting cannot be accomplished without some fundamental changes in our federal farm policy. Targeting is not just a matter of establishing payment limitations. It is a matter of purposefully designing a farm program to provide a safety net for family-sized farm operators.

In the past, federal farm policy has attempted to create a safety net by providing a minimum price support level under all the production of a given commodity, and then by imposing production adjustments within that same commodity. The result has been targeting price protection to commodities and commodity acreage bases, rather than to producers.

We believe that price protection should be tied directly to the producer and be based on actual production rather than on acreage bases. This allows producers to respond to the marketplace as well as carrying out sound soil and crop management programs. As a result, it would encourage sustainable and diversified agricultural production, and eliminate the current incentive to intensify production of program crops to increase per acre yield history for deficiency payment purposes.

We believe that targeting is the most cost-effective way to deal with the increasing federal budget pressures. The choice is simple. The federal budget dilemma will either require that price supports are targeted or that price supports are lowered.

As we outlined earlier, continuing the reductions in price support levels into the 1990 farm law will continue the loss of family farmers and rural communities.

A safety net that is too close to the ground is no longer a safety net. Once price support levels fall below the costs of production, they no longer provide a safety net. Then the issue is how much time will elapse before a producer is put out of business, and not a matter of if.

Targeting is not only responsible fiscal policy, but also is environmentally sound, and provides a base for a coordinated national rural development strategy.

We believe that land and water stewardship is part of the social contract between food producers and the rest of society.

Producers have a responsibility to maintain and improve the productivity of the land. In return they should be rewarded for their stewardship by farm programs which provide a reasonable livelihood to the farm family.

Agricultural stabilization and conservation programs should work together to achieve the mutually beneficial objectives of proper stewardship and the maintenance of family farm agriculture. The boom-bust cycle of fence-row-to-fence-row production to massive land retirement programs is destructive to conservation, family farm agriculture and rural America.

A conservation plan should be jointly developed by the farm operator and the Soil Conservation Service (SCS) for each farm unit. This plan should designate which highly-erodible soils should not be tilled and which can be tilled with approved conservation practices. The plan should clearly map and document both existing and drained wetlands, as well as any drains and channels. The plan would outline the conservation of the wetlands, as well as the maintenance of existing drains and channels.

Such a conservation planning system should replace the existing sodbuster and swampbuster provisions and should be supervised and approved by the ASCS committee process, with the technical assistance of the SCS.

Producers should be allowed to remedy inadvertent or unavoidable failures to carry out conservation plan practices. Otherwise, penalties should be based on the degree of the violation. Loss of full federal farm program benefits would be imposed only in cases of purposeful destruction of conservation practices.

We urge the enactment of a Conservation Assistance Program which would provide financial and technical assistance to producers to bring highly-erodible and environmentally-sensitive lands into compliance with established conservation standards.

This program would assist producers in simultaneously making land use changes and the transition to farm enterprises which can be sustained by the land under sound conservation practices. This assistance could include cost-sharing, grants, credit and other incentives which would assist the producer in reestablishing an economically viable unit while maintaining a livelihood from the land.

The Conservation Assistance Program should replace the Conservation Reserve Program (CRP). While present CRP contracts should be honored, CRP, as currently enacted, should not be expanded or reauthorized within the 1990 farm bill.

The Conservation Reserve Program is not cost-effective, either as a conservation program or as a cropland retirement program. Like the dairy buyout program, it is at best, a temporary solution that does not address the underlying problems.

CRP has become a farmer retirement program which denies or fails to provide opportunity for beginning farmers. At the same time, it has created serious economic distress for many rural businesses and communities.

Conservation programs should be good for the environment, reward stewardship, discourage speculative development of fragile land resources, strengthen family farming and enhance rural communities. CRP does not achieve these combined goals.

We want to express our appreciation to Representative Glickman and to the subcommittee for holding this field hearing and providing an opportunity for grassroots input into the development of the 1990 farm bill.

(Attachment follows:)

Farmers Union

January 30, 1990

TO: County Farmers Union Presidents

Dear Friends:

Various economic reports in recent times have pointed to a "recovery" in the farm sector. These reports have promoted the conclusion that agriculture is back to normal and is once again in a healthy economic condition. Some of these reports have been cited by policymakers as the justification for cutting back on various federal programs for agriculture and rural America.

While I don't want to be a pessimist, I believe we need to carefully examine these statistics and the conclusions that are being drawn from them, because they are too often missing the mark of what is actually happening in our farm communities.

We are not seeing a real recovery on our farms or in our rural communities in North Dakota. We are seeing greater differences among farmers. Those with good equity positions have a vastly different bottom line than those with heavy debt loads.

Although there has been a reduction in the number of farmers in serious financial trouble, the statistics do not tell the total story. Restructuring, debt write-downs, and the loss of over 6,500 farmers in North Dakota since 1980 account for a good portion of the "improved" debt statistics.

In addition, the statistics aren't telling the story of the loss in disposable income that has occurred as producers sacrifice to reduce debts.

We have also seen over-estimates in some of the statistics which make the farm sector appear to be in a better position than we are.

This was the case in December when USDA's Economic Research Service (ERS) had to reduce its farm income findings after the 1987 Census of Agriculture was published.

The 1987 Census found farm expenses three percent higher than earlier ERS estimates, and as a result, ERS over-estimated net cash farm income by $3.2 billion for 1987 and $2.7 billion for 1988.

ERS also found the 1989 net farm income figure, which includes an inventory adjustment, to be at the low end of a previously estimated range.

Last week's front page news focused on a U.S. Commerce Department study that showed a growth in North Dakota's personal income between 1988 and 1989.

Government officials viewed the figures as a sign that the agricultural economy in North Dakota had recovered. Unfortunately, people drew many inaccurate conclusions from a rather narrow data base.

Figures for North Dakota showed a 16.9 percent increase in personal income between the third quarter of 1988 and the third quarter of 1989, the largest increase in the nation.

The increase represents how fast personal income is growing within a particular state or region.

The problem with these figures and how they relate to agriculture originates in the fact that the Commerce Department limited its figures from the first part of July until September 30 as the basis for comparison.

Analysts figure the personal net income for those three months, run the figures through a formula that attempts to annualize the figures and release a personal income comparison.

The figures released for 1989 are estimates and don't include farm inventory adjustments, while the 1988 figures had been adjusted for inventory and other farm assets from data from the ERS.

It should be noted that the Department of Commerce 1988 third-quarter net farm income for North Dakota was a negative $268 million.

One Commerce Department analyst was quoted as saying North Dakota's large increase may be due to federal disaster payments made to farmers to cover 1988 losses.

But what they neglected to consider was the fact that disaster payments were not made until October of 1988, which is not part of the third-quarter reporting period. In other words, drought payments were not reflected in their figures.

Their figures also do not account for any principle payments on debt or capital purchases which must come from a farmer's personal income. It is simply a measure of the net cash base for agriculture for that period.

One can also raise issue with the Commerce Department's definition of an asset. Currently, breeding livestock are not considered capital assets.

With this in mind, the figure is distorted if farmers liquidated all or part of their breeding herds as a result of the drought. Income from the sale will show up as a very positive change in personal income but the asset base for the herd has eroded and is not reflected.

The question of using a quarterly figure is also raised when you look at the income and expense flows in agriculture.

The quarterly personal income numbers for agriculture become totally irrelevant when you consider the possibilities in timing income and expense during a growing season. These options include things like prepayment of inputs and deferred payment of outputs.

We cannot look at a few cash income figures and say that the ag economy has recovered.

The only real measure for the well-being of farmers is a consolidation of accrual based figures that include personal living expenses, an adjustment for inflation, and an adjustment for valuation of assets.

Unfortunately, there are those who willingly use statistics which only tell part of a story to create the impression that all is well in agriculture and rural America.

Secretary Yeutter and others have been touting such statistical half-truths to build momentum for their viewpoint and proposals for the 1990 farm bill.

When you see statistics which don't correspond with what you know is happening in your area, we hope that you will challenge them. We will be glad to work with you in looking beyond the surface so that we can tell the rest of the story.

We cannot afford to develop a 1990 farm bill on misinformation and narrow statistics. We especially need to focus our concern and efforts on presenting a more complete and accurate story to Congress and the public of what is happening to our traditional family farm system.

Please keep alert and inform us of questionable statistics and economic analysis that either unfairly portray the agricultural economy or fail to tell the whole story.

Thank you.

Yours truly,

NORTH DAKOTA FARMERS UNION

Alan Bergman
President

AB:KL/lw

HOUSE SUBCOMMITTEE ON WHEAT, SOYBEANS AND FEED GRAINS
Fargo, ND
February 9, 1990

Mr. Chairman:

My name is Monty Burke, President of North Dakota Farm Bureau.

Thank you for the opportunity to present the North Dakota Farm Bureau's views on the 1990 Farm Bill. This testimony will be confined primarily to wheat, soybeans and feed grains.

North Dakota Farm Bureau is a voluntary farm organization with over 25,000 members.

We recognize the Food Security Act of 1985 has in many instances had a positive impact on the farm sector. It is most unfortunate that this area and also much of the US agriculture has suffered some kind of a disaster the last two years so the true ability of the 1985 FSA has been somewhat obscured.

Looking to the 1990's it is our belief we should continue in the same general direction with some fine tuning and rethinking in certain areas.

National Farm Policy

Improving net farm income and enhancing the economic opportunity for farmers are our most important goals.

We favor a market-oriented agriculture with supply and demand, rather than government action, ultimately determining production and price.

A consistent market-oriented farm program should be pursued that would:

(1) Rely less on government and more on the market;

(2) Allow farmers to take maximum advantage of market opportunities at home and abroad without government interference;

(3) Encourage production decisions based on market demand;

(4) Provide income support at a level that would not interfere with opportunity for income from the market;

(5) Encourage needed adjustments in resource use;

(6) Minimize or eliminate the impact on non-program commodities;

(7) Provide for minimal government stocks;

(8) Be consistent with and complementary to international economic and foreign relations policies; and

(9) Not require environmental and conservation regulations that would detrimentally affect farm income and the U.S. competitive position in world markets.

Farm Program Implementation

We support enactment in 1990 of a five-year or longer farm bill which will continue to move the United States in the general direction of a market-based, export-competitive agriculture, a direction established and begun by the Food Security Act of 1985.

Target prices should not be reduced below their 1990 levels and should be used to determine deficiency payments. Such payments should continue as an income supplement during transition to a market-responsive agriculture.

We are strongly opposed to any type of a mandatory production, acreage control or marketing quotas.

As future farm programs are considered, we support the following changes:

(1) All deficiency payment rates should be determined by using the first five months of the marketing year. Prompt payment should be made following the calculation.

(2) Producers should be allowed to interchange the base acreage among program crops and approve non-program crops, provided that total deficiency payments and total crop base acreage on the farm does not increase.

(a) Deficiency payments will be made only on those permitted acres planted to the program crop on an established crop acreage base for the individual farm except if enrolled in either a 0/92 or 50/92 program.

(b) Loan eligibility will be restricted to the production grown on those permitted acres planted to the program crop on an established crop acreage base for the individual fram. In no instance will the amount of production eligible for loan or deficiency payments be increased as a result of acreage base flexibility.

(c) Deficiency payments would not be made to acreage planted to approved non-program crops. The approved non-program crops should include: oilseed (soybeans, sunflowers, safflower, canola), forage and/or hay (legume, corn or sorghum, small grains, grasses and mixtures) and experimental and industrial use crops (kenaf, guayule, crambe, jojoba).

(3) Storage payments to producers should be the equivalent of those made to commercial storage warehouses.

(4) Deficiency payments should not be reduced or crop bases adjusted because plantings were less than permitted due to weather conditions.

(5) The 0/92 program and guaranteed minimum deficiency payments should be made on the full 92 percent.

(6) The underplanting provision to prohibit the planting for harvest of any non-program crops on the "underplanted" acres should be clarified.

(7) Payment limitations under the commodity loan, acreage reduction and disaster programs should be eliminated. If a limitation must apply to cash deficiency payments, we favor no limit lower than the present $50,000 limitation. Producers eligible to receive payments in excess of $50,000 should receive CCC generic certificates not subject to limitation.

(8) If a payment limitation is in effect, no rules in defining a person should penalize farm operators who legitimately share labor, equipment and other resources as a normal course of operation. Payment limitation information should be modified to require only basic information from farmers.

(9) Reduce the five-acre requirement on set-aside to one acre and not necessarily contiguous.

All commodities are interrelated and any change in supply, demand or price of one affects the others. Program crop policies should not be developed at the expense of non-program crops and other commodities.

We support additional incentives to encourage producers to put diverted acres into permanent soil conserving use.

Farm program announcements should be made on a timely basis and that unless natural disaster emergencies exist, once announced, not changed.

We support the continuation of adequate government funding of the Agricultural Stabilization and Conservation Service (ASCS).

Under land diversion and perennial legume and grass rotation programs, no haying or grazing provisions on set-aside or rotated acreage should be permitted during the principal months of the growing season for each program crop, except in areas which have been declared as disaster.

We recommend the proving of yields and updating of yields to the most current five-year average excluding the high and low yield.

We oppose strict cross compliance. Limited cross compliance in the feed grains, wheat, cotton and rice programs should be at the discretion of the secretary of agriculture.

We encourage the use of paid diversion to reduce production, wherever statutory acreage reduction provisions are inadequate to bring production and supply into better balance with annual demand.

When land diversion programs are in effect, the total of all crop base acreages established for any farm should not exceed its cropland acres.

We urge the secretary to strive for consistency in administering farm programs so as to treat all producers reasonably and fairly with special concerns for:

(1) The relationship of loan rates among adjacent counties and states;

(2) Determination of county posted prices;

(3) Storage payments to producers and commercial warehouses.

We oppose CCC exempting itself from federal rule making notification and public comment procedures.

Tenants or landowners should not be denied benefits of federal legislation on any farm that is in compliance with the provisions of the program, regardless of the compliance status of their other farms.

Participation in any federal or state water projects should not adversely affect a grower's participation in any USDA farm program.

Mr. Chairman and Committee Members, thank you for your considerate attention and I will be happy to answer any questions you may have.

A

Mr Chairman, members of the House of Representatives Committee on Agriculture, My name is Kelly Shockman. I am a Lifelong farmer from LaMoure ND. I am also the State President of the North Dakota National Farmers Organization.

In summary, here are some points the NFO would ask you to consider in your task of formulating the 1990 farm bill-

-- Recognize the shortcomings of the 1985 Food Security Act-

-- Increase commodity loan rates to 1985 levels-

-- Continue but improve federal Multi-Peril Crop Insurance-

-- Freeze Target prices at the 1990 levels-

-- Correct the relative relationship of price support levels between commdities. Example, soybeans should be supported at 2 and 1/2 times the support level of corn.

-- Switch from acres to bushels or pound in setting farm bases. Limit program benefits to the farm bushel or poundage bases-

-- Eliminate certificates and other dumping actions of CCC stocks on domestic markets. Reinstate minimum CCC sale prices grain used for domestic use.

-- Conduct GATT and other overseas negotiations in a realistic manner that encourages bilateral and multi-national agreements and sales at profitable levels. Use exess CCC stocks, if necessary, to improve our foreign position. But seperate this action from the administration of domestic agriculture and food policy.

-- The North Dakota National Farmers Organization supports the concept of language in the 1990 farm bill to allow farm producers to exchange acres of program commodities to allow more planting flexibility and better utilization of recourses. But we urge caution in the concept of "Flexibility" not be used in a manner that will mislead producers into accepting more so called flexibility as a trade off lower commodity prices and less net farm income. The 105% wheat planting option is promoted as "Flexability" by the Secretary of Agriculture. Producers might believe it is another choice but it is meaningless because of the advantage it will give the Grain Trade of producers.

-- We strongly urge that the enforcement authority for Swampbuster and Sodbuster be left unchanged

Need for a New National Policy

Our thinking at this point in time is set forth for purposes of discussion in 1989. The members and officers of NFO urge that domestic farm legislation be revised to state a national farm policy that is in the best interest of all our people. The recent determination to subjugate all other considerations to the welfare and happiness of the international traders and shippers must be reversed.

The grains constitute a major source of food for our people through direct consumption of the processed products and as a principal stabilizing influence on the supply and price of meat, milk and other high protein foods. Consequently, these recommendations apply primarily to grain.

The first consideration in redesigning a farm program must be the security of our food supply for the American people. Nearly as important is the urgency of revitalizing the rural areas so as to reverse the recent heavy migration to the cities where social and economic hardships have multiplied at an alarming rate. This may only be accomplished through a number of actions, one of which must be the assurance of improved commodity prices.

It has to be significant that our commodity prices were severely and purposely depressed by the 1985 Farm Act. We now must rely almost solely on government for our net farm income in many rural areas. The declining values throughout our rural communities have made us the investment targets of foreign buyers, many of whom were enriched by our recent foolish overseas spending and cheapening of the dollar.

This country rightfully supports programs to aid the less developed countries in the name of benevolence, democracy and market development. We also have subsidized many developed countries through our extensive military expenditures and other huge giveaways. As a nation, we continue to borrow money from all over the world to run our government. Then we ask farmers to turn out big crops and sell them for less than the cost of production in an effort to regain some balance in foreign trade.

If these policies and trends continue unabated, we will lose more of the mid-range farm producers who have always provided strong, stabilizing support for rural America. Though we still may be rich in land and other resources, it is not inconceivable that our broadly based producer capability will be permanently damaged beyond repair. Witness the loss of leadership in electronics and autos. But, in this case, we are not talking wheels and music. It is our food supply and our rural communities that are at stake.

Thus, a real question arises -- are we wise to continue our present low price farm policy even while acknowledging generally that something must be done in the name of rural development?

Farm Program Administration

A substantial part of our national food supply is now dependent upon a combination of

> absentee financing and ownership,
> an excessive application of chemicals and other expensive technology, and
> government payments to sustain farm operators.

We propose to reverse the policy established in the 1985 Act and return the administration of the farm program to a sensible and manageable level, utilizing basic laws that have been on the books for years.

The permanent authorities established in the Commodity Credit Corporation Charter Act, and related laws provide ample authority for the Secretary of Agriculture to administer price supports for all the commodities covered by the 1985 Food Security Act. It is recommended that, the Congress establish certain guidelines for the 1991-95 crops, including minimum price support levels. Program benefits should be targeted primarily to small and mid-range farm and ranch operators.

The owners and all operators on alien owned land should not be eligible for any program benefits after a certain date. In fairness, we should provide one to two years of warning and then terminate this form of subsidy for all foreign investors.

Grain Price Supports

Increase non-recourse loan rates to 1985 levels for 1991, with provision to advance rates thereafter over the next four years, in amounts commensurate with the increase in the cost of production. Payments should be reduced progressively as loan rates are increased. Production goals should be established at a level providing national food security but not so high as to depress prices below loan rate levels. The producer would then be eligible to repay original loan with interest at any time.

Food Security

Clarify the Farmer Owned Reserve by requiring the Secretary to offer the producer an option to extend an original loan when supplies temporarily exceed our national requirements for domestic and export markets plus a reasonable contingency reserve. Such optional extensions should be offered for a period up to three years.

Under this plan, the producer would be paid for storage after the initial 9-month loan period and would be permitted to repay the loan at any time. Storage payments would cease when the average national market price reaches 125% of the original loan rate. Mandatory repayment would be called when such price reached 140% of the loan rate for a period of 30 days.

The Secretary should be required to offer a farm grain storage facility loan on buildings to hold up to two years of production on the farm.

World Food Reserve

An agreement should be negotiated with other countries to establish a world reserve to furnish relief in the event of regional drought or other major catastrophe. The U.S. share could be stored and maintained by the CCC. Other than exchanges to provide for fresh stocks, all releases from this reserve should be for emergency purposes, here or abroad. Potential user countries should be asked to support, financially, the creation of this reserve. It should be widely dispersed for storage in safe hands for obvious reasons but should be isolated from the domestic market.

Environment and Conservation

Continue the sodbuster and swampbuster provisions adopted in the 1985 Act. In the interest of simplifying program administration and advancing various conservation concepts, convert the administration of the commodity programs from acres to pounds or bushels. Set farm bases in these units and require producer certification in production units. This would provide the producer an opportunity to make most effective use of the land, labor and capital. Require weed control, crop rotation and other practical conservation measures on land subject to erosion by wind or water.

The producer would certify the amount of his production and points of storage or sale after harvest. Performance would be subject to spot check. Eligibility for price support would be established by producing and marketing no more than his goal for the year.

In summary, the program emphasis would be placed on price support and production levels that match market demand rather than on Treasury payments. Conservation and sustainable farming concepts would be encouraged and assisted through on-going SCS and ACP programs.

Domestic Farm Program and Foreign Trade

The very nature of the farm and food sector, the erratic influence of weather and the sensitive political nature of any questions relating to food security in most nations make it extremely difficult, if not impossible, to adapt GATT rules that were written for trade in manufactured goods to trade in farm commodities. It is highly impractical to assume that such rules may be written for some nations while others are left completely free of influence or control. Think of the soybean development in Brazil. In any event, even the most ardent advocates of free markets and competitive trade in farm commodities must admit that abolition of all subsidies and farm programs would require many years for implementation.

The Congress is urged, therefore, to give the development of a sound domestic farm program a proper first priority in their deliberations. Such a program is needed to sustain a desirable land tenure policy and assure a secure food supply for our people. This is a necessary first step in the rehabilitation and development of our rural communities.

In the meantime, the GATT negotiators may proceed at their own pace. Those responsible for the conduct of foreign affairs may attempt such trade options as may be available. If they cannot or do not wish to develop bilateral and multilateral arrangements to trade the major commodities at a profitable level, we probably should stop producing surpluses and giving away our soil fertility. At the very least, we should recognize that the economic stability of our own producers and their communities are of primary importance to our country.

C. Frazier/March 1989

(Attachments follow:)

Kelly Shodman

Thursday, November 9, 1989 ■ THE DES MOINES REGISTER / 3A

Farm income to plunge 43% by 1996, say experts

By DAN LOOKER

Register Agribusiness Writer

CARROLL, IA. — Farm economists Wednesday released projections suggesting that inflation-adjusted farm income will fall 43 percent by 1996, and said the prediction is based on a set of optimistic assumptions.

The report, issued by the Food and Agricultural Policy Research Institute, a joint effort of Iowa State University and the University of Missouri at Columbia, assumes average weather, for example, when some climatologists believe the nation has entered a long-term drought cycle.

In addition, the projections assume that U.S. and foreign farm policies won't change, even as the next federal farm legislation is incubating in Washington under the heat of environmental and food-safety activists.

Finally, the report assumes that there will be no recession before 1996, which would mean 15 straight years of economic growth. "A lot of people think we will see a very slow growth rate or even a recession in 1990," said Pat Westhoff, an ISU economist who helped craft the report.

The report will be part of the information that the House and Senate agriculture committees will study as they draft the 1990 farm bill, said William Meyers, associate director of ISU's Center for Agricultural and Rural Development, which sponsored Wednesday's fall agribusiness outlook meeting, along with the Extension Service and the Carroll Chamber of Commerce.

Economic Predictions

Assuming that the farm economy will continue on its present course, here's what the economists expect:

- Net farm income will fall 27 percent, from $49.23 billion this year to $36.02 billion in 1996. But in constant dollars adjusted for inflation, income will fall 43 percent.
- Production costs will rise more than the value of farmers' production — 24 percent between now and 1996. The costs of feed grains and purchased livestock will change little, but seed, fertilizer, repairs, labor and other costs are headed up.

"Again, that is a very fragile projection. There are so many things that could cause it to change a lot," Westhoff said. Another drought could boost prices. With good yields and weak export demand, "we could see prices go down to the loan rates with relative ease," he said.

Meyers added that foreign investors, who have been financing part of the federal government's debt, have "helped us to keep our interest rates in check and have helped avoid recession in this country." Lack of confidence in the U.S. economy by those investors could cause a credit crunch, driving up interest rates and causing a recession, he said.

If the debt problems of Third World nations spark a worldwide recession, U.S. grain exports would decline even more than world trade, he said.

The Iowa-Missouri forecast also calls for an increase in corn used as livestock feed, from 5.3 billion bushels this year to 5.9 billion bushels in the 1995-96 marketing year.

Iowa State University economist Robert Wisner said he thought that projection was too high, because American consumers are eating more poultry and less red meat. Producers need less corn to raise a pound of poultry than to raise a pound of beef, for example.

Domestic use of corn for livestock feed is nearly twice as great as the export market for corn.

Exports account for more than half the use of American soybeans, though. And Wisner thought the Iowa-Missouri outlook for soybean exports to the Soviet Union was too low.

Soviet livestock rations are low in protein, and that nation is likely to boost its soybean imports, Wisner said.

Target prices — a benchmark used to determine direct income subsidies to farmers — were assumed to be frozen at next year's level, $2.75 a bushel. Earlier this week, USDA officials meeting with ISU economists in Des Moines said the Bush administration is using frozen target prices in calculating its proposed budget for the next fiscal year.

(B)

1990 FARM BILL
Background and Review of the 1985 Act

Most advocates for continuance of the 1985 FSA point to the current increase in net farm income, (2) recovery of U.S. export volume in the world market, and (3) reduction in carryover stocks as accomplishments of the 1985 Act.

Review of 1985 Food and Security Act

Before we discuss the various proposals and issues surrounding the upcoming 1990 farm legislation, it is worthwhile to take an objective look at what has happened in agriculture during the past five years and how the 1985 legislation has worked.

Authors of the 1985 legislation determined that exports were the primary answer to the surpluses, cheap prices and depression occurring in Rural America.

-- The total asset value in U.S. agriculture was $1 trillion in 1981. By 1985 these asset values had shrunk to $692 billion, over a 30% drop, the steepest fall since the Great Depression.

-- Today assets are valued at $760 billion, a modest recovery, but still 24% less than they were in 1981.

-- Net farm income in 1985 was $32 billion.

✓ Net farm income in 1989 is estimated at $49 billion, the major factors contributing to the recent increase in farm income in recent years is attributable to lower production costs and increased livestock receipts. Increases in government payments largely offset lower grain values resulting from the 1985 Act.

Example of why production costs fell:

-- Because farmers were not replacing older machinery and tractors, the value of farm machinery dropped by $30 billion between 1982 and 1987, resulting in a decline of $7 billion in depreciation expense.

-- Interest expense declined by 29% between '82 and '87.

-- Fertilizer and fuel expense dropped due to less crop acreage in farm program crops and less cost for fuel and fertilizer.

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1985 Food and Security Act

Target prices were not reduced the first two years ('86 & '87) of the 1985 Act, but have been cut by 10% over the past three years. 1990 target prices recently received a further cut in the 1990 Budget Reconciliation bill. The cut is estimated to save over $1 billion in budget authority, but will come directly out of farmers'pockets. (See attached table for the latest cuts.)

Loan rates were cut by 25% in 1986. 1990 loan rates have been reduced by 40% since 1985.

The 1985 law carries a formula that sets loan rates at 75 to 85% of the 5-year average market price but is limited to a five percent reduction from the previous year.

In addition to the '85 law, the Findley Amendment enacted in 1981 provides for a further reduction of up to 20% in loan rates if the market price does not exceed the preceding year's loan rate by more than 10%. However, the Secretary has discretion to use the Findley Amendment if he determines that our loan rates are not competitive in the world market even if market prices exceed the 10%.

Loan rates are in no way related to cost of production or farm income.

Program yields, used to compute payments, have also been reduced. Until 1985, program yields were based on a five year moving average. In order to hold down costs, yields were frozen at 1985 levels. This had the net effect of reducing the volume of production eligible for deficiency payments by roughly 10% relative to what it had been in 1985. This was considered more politically acceptable than reducing the acreage eligible for deficiency payment.

Payment in Kind certificates were also authorized by the 1985 FSA. There were two basic reasons:

1. Giving away assets of the federal government does not show up as a current outlay on the books of the U.S. Government. Generic certificates in effect circumvented budget constraints.

2. The other purpose, probably even more significant than budget concerns at the time, was to release CCC inventories and the grain held in the Farmer-Owned Reserve into the market substantially below the legislated release price. The release price on grain in the FOR is 140% of the loan rate at which it entered the Reserve and the CCC minimum sales policy is 115% of the release price. By using PIK

> certificates to release CCC inventory or to repay FOR loans, this grain previously isolated from the market was released into the market at the current "market price." In addition, regular 9-month loans could be redeemed at market price with PIK certificates ("PIK 'n roll". This was the grain release deal quite similar to the marketing loan provision set up for rice and cotton.)

The PIK certificates were undoubtedly the major factor in holding down market prices, even as our inventories were depleted and our graineries were emptied following the 1988 and 1989 droughts. Prices did not respond as they had in past years when our inventories were reduced to similar levels.

The 1985 law also provided for the Export Enhancement Program. Even dropping loan rates by 40% was not considered to be enough to regain the "U.S. share" in world export markets. Although wheat was the primary beneficiary of EEP subsidies, the EEP was also used to assist exports of rice, poultry, feed, dairy cattle and eggs. The total value of EEP-assisted exports as of May 1989 was $8.1 billion. The actual cost of the EEP up until 1989 has been approximately $1 billion per year.

Through the use of EEP (which has almost become a requirement before a country will make a purchase of U.S. commodities), the USDA virtually controls how much, what price and to which country a sale will be made.

Approved EEP wheat sales to foreign buyers will vary but have an average subsidy value in excess of $1.00 per bushel to the recipient country. USDA must approve each EEP sale.

In 1988/89 the U.S. share of world trade for wheat was 43% and 62% for coarse grain (corn, sorghum, barley, oats, rye). These percentages are slightly below the record levels in 1980/81, but significantly higher than 1985/86 when they were respectively at 29% and 44%.

Even though volumes of grain exports are up significantly, the value has decreased. The revenue from total grain exports actually dropped from $17.7 billion in 1984 to $13.1 billion in 1988.

In 1980 direct payments accounted for 8% of net farm income. It peaked at 36% in 1987, and will account for 24% in 1989. Farmers who produce only grain crops have received as much as 94% of their net income from payments when commodity program costs were at their peak.

The 1985 FSA has been the most costly farm bill in the history of farm programs. At the end of its' five year life, it will have cost in excess of $80 billion. This compares to a cumulative cost for all farm programs of $125 billion from the 1930s through 1985. The total cumulative cost prior to 1981 was $76 billion.

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As indicated earlier, the value of grain exports since 1985 has actually declined by $4 billion even as volumes increased. But, can we even credit the increased volumes to the 1985 FSA? The EEC, which is the primary target of the price war in grains actually increased grain exports by 1/2% during the last four years. Some of the increase in our export volume was at the expense of Australia, Argentina and, to a lesser extent, Canada. But the biggest factor contributing to increased exports was the weather. The 1988/89 drought which affected many countries around the world, and emptied our reserves, was undoubtedly the most significant factor contributing to our increase in export volume.

Legislation for the 1990s

Aside from the environmental and food safety issues which will have a significant impact on 1990 farm legislation, there are two major issues which are already dominating congressional hearings and the Administration's dialogue concerning commodity programs in the 1990s. The two areas are the budget and flexibility. Unfortunately, it seems to be a foregone conclusion that the basic policies and direction of the 1985 FSA will be continued into the 1990s.

There is virtually no disagreement that the average federal agriculture budget costs over the next five years will have to be cut by 40 to 50% from the 1985/1990 average costs. Decoupling, triple base, flexi-ARP, etc., are all window dressing for cutting deficiency payments. Under the 1985 Act and current policy, deficiency payments are a major direct portion of net farm income.

While some authority may be included in 1990 legislation for generic certificates (there are 17 places in the 1985 FSA that authorize PIK in lieu of cash), it is unlikely that they will be used much in the 1990s if the present policies are continued. Loan rates are currently well below world market prices. Besides, the Treasury, OMB and the Federal Reserve System don't like them.

Flexibility is the other area being addressed in commodity discussions. The two commodities most discussed in this context are soybeans and oats. Soybean exports have dropped; oats production is half of what it was ten years ago, and we are importing oats from Europe and Canada for our domestic use. The level of price support for these two commodities is way out of line in relation to support levels for other program crops (i.e., soybean loan, now 1 1/2 x corn, should be 2 1/2 x corn).

1990 Income Projections

As producers, we all are aware of the uncertainties and risks in projecting agricultural production and prices into the future. However, it is significant that virtually every economic study (including USDA) projects a decline in net farm income as we proceed

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into the 1990s. To put it simply, all of these studies, even though variable in degree, project (1) a continuation of 1985 policies; (2) an increase in production costs; (3) a reduction in direct government payments; and (4) farm prices remaining at the level they are today. Most of these studies assume annual ending stocks of corn at under two billion bushels and wheat carryovers at less than one billion bushel. So, one can see they are using very optimistic projections just to keep prices where they are today.

One former USDA economist, in a recent study, concluded that it was unfortunate that 1987/88 net farm income was so high. He further states: "87/88 net farm income is an example of why we should have cut target prices in the 2nd year of the 85 Act instead of waiting until the 3rd year." In his view, the "delay created an artificially high expectation of the earning power of the U.S. farm sector." He expressed further concern that 1987/88 farm income may become a standard of comparison for future farm income.

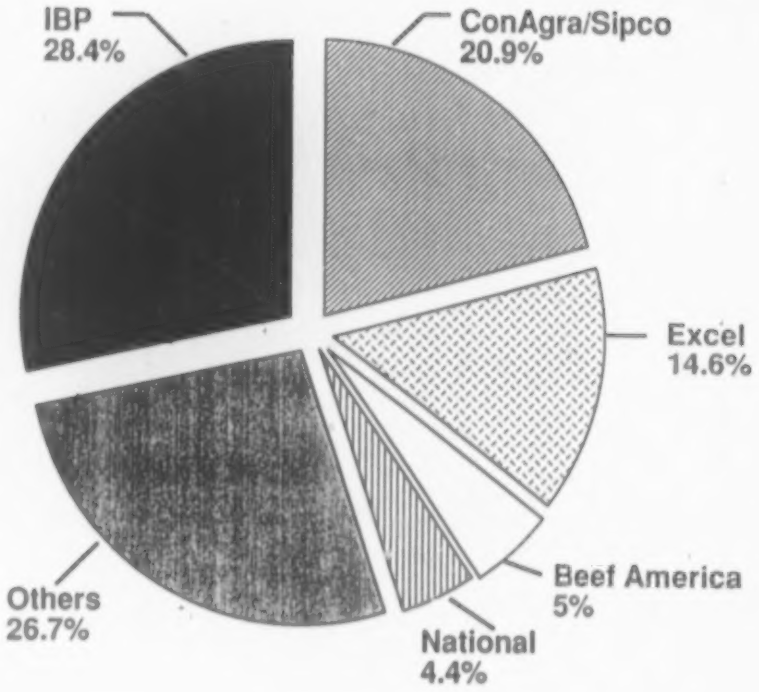
Surely we can all agree that exports are of major importance to U.S. production agriculture. Even the most strong advocates of free world markets should be convinced by now that the current policies of driving down our market prices to less than our cost of production in an effort to increase exports and then attempting to reimburse farmers at record costs to the U.S. Treasury are not working.

In summary, we must redirect and develop a U.S. agriculture policy for the 1990s which addresses these major areas.

1. Improved net farm income, the wellbeing and the survival of our rural communities and family-owned farms. This must be at the center of our agriculture policy consideration in the '90s and beyond.
2. Government actions to drive down the price of our commodities for the sole purpose of increasing export volumes must be stopped. We must have a policy that recognizes that it is the value of our exported production, not the volume of production that we export, that will improve net farm income and our balance of trade. If it is determined that subsidies must be used to counteract unfair trading practices by a competing country, these subsidies should be limited to the export portion of the crop, rather than our entire production.
3. Programs can and must be developed which will reduce government costs, improve net farm income and ensure that the U.S. will continue as a reliable and viable exporter of our agriculture production. It should not be a question of dropping our prices to less than our cost of production versus a loss of export markets. There are other alternatives that must be pursued if our system of family ownership and operation of our farms is to continue.

1988 Beef Slaughter

Based on slaughtering capacity of companies' plants. An estimated 35 million head were slaughtered in 1988.



Source: The Helming
Group Research Dept.
Overland Park, Kansas

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HOUSE AG COMMITTEE HEARING- FARGO- 2-9-1990

This chart contains information supplied to me by the USDA. It shows loan rates and average prices paid for wheat- all classes- for the years 1950 to 1959 and for the years 1980 to 1989. The loan and price in relationship is basicly the same for the 1960 thru 1979 but are not shown here in the interest of saving time. Although this chart shows only wheat, all other farm commodities that have a loan program show the same trends and relationships between loan price and actual average cash price for all years 1950 thru 1989, a period of 40 years.

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	average
loan rate in dollars per bushel	1.99	2.18	2.20	2.21	2.24	2.08	2.00	2.00	1.82	1.81	$2.05
season average price	2.00	2.11	2.09	2.04	2.12	1.98	1.97	1.93	1.75	1.76	$1.98

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	average
loan rate in dollare per bushel	3.00	3.20	3.55	3.65	3.30	3.30	2.40 2.30	2.28	2.21	2.21	$2.90
season average price	3.99	3.69	3.45	3.51	3.39	3.08	2.42	2.57	3.72	3.75	$3.35

The relationship between loan prices and cash prices is clearly obvious from the year 1950 thru 1989. This accounts for the common belief by producers that loan rates effect and determine cash prices to a very high degree. Two exceptions are the severe drought effected years of 1988 and 1989 and the so called Russian Sale years of 1973 thru 1976.

The loan rate on wheat was reduced from $3.30 in 1985 to $2.40 per bushel in 1986, the first year of the 1985 farm bill. Graham-Rudman further reduced the 1986 wheat loan rate #.10 per bushel to $2.30. N Dak. produces about 300 million bu of wheat in a normal year. That one dollar drop in the loan rate cost ND wheat producers $300 million dollars in each of the two following years. Thats 600 million dollars of lost income in wheat alone for 1986 and 1987. When you consider the 3.9 multiplier factor on dollars generated by agriculture for our ND economy, is it any wonder our ND economy is in shambles. Even the $.10 cents per bu taken by Graham-Rudman in 1986 cost ND wheat producers 30 million dollars.

Note that the loan price on wheat was $2.18 bu in 1951 and on that same wheat the loan price had raised to $2.21 bu in 1989.

The next chart shows the carry over or ending stocks for the years 1980 thru 1989 for wheat in bushels-

1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	year
989	1159	1515	1399	1425	1905	1821	1261	694	592	millions of bu.

The 592 million bu ending stock for 1989 were the lowest since 1973 when they were 340 million bu and 1974 when they were 435 million bu and the third lowest ending stocks since 1950. THE POINT HERE THAT REALLY CONCERNS FARM PRODUCERS IS SUPPLIES OF WHEAT, CORN, SOYBEANS, OATS ARE SHORT TO VERY SHORT BUT THESE COMMODITY PRICES ARE FALLING. IF THERE IS A SO CALLED "LAW OF SUPPLY AND DEMAND", WHY HAS IT STOPPED WORKING? WHY AREN't FARM COMMODITY PRICES MOVING UP IN THE FACE OF SHORT SUPPLIES? IS THIS HOW THE FOOD SECURITY ACT OF 1985 IS SUPPOSED TO WORK? WILL A 1990 FARM BILL THAT IS JUST A CONTINUATION OF THE 1985 ACT WORK THIS WAY TOO.

Every other business and government entity includes the rate of inflation or the inflation factor when they calculate their cost of doing business or budget matters. It is only fair that the same inflation costs be applied to production agriculture. If just a 3 % rate of inflation applied each year to the 1951 wheat loan rate of $2.18 per bu would increase the 1989 loan rate to $6.83 per bu. We farmers certainly recognise the inflation factor when we consider how much land costs, fuel, machinery, repairs, taxes, health insurance, and other costs have increased the past 40 years.

To further illustrate how inflation has adversly effected production agriculture, I purchased a Oliver 88 Diesel 50 HP tractor with dual hydrolics in 1958 for $3400.00. A 50 HP tractor purchased today with only power steering and a cab added would cost me 27,500.00. That is about a 800 % increase in price for the same basic unit. Many will say farmers do not have to have all this new machinery. But sooner or later all machines wear out and have to be replaced. Farm machinery repairs have inflated even more.

Reducing the commodity loan rates and cash prices for farm commodities and then substituting lost income with Government Transfer Payments is becoming very unpopular with taxpayers. Although in reality it is consumer food that is being subsidized and not only farmers, because of public misunderstanding and pressure we farmers are concerned that eventualy nearly all transfer payments to farm producers will be eliminated. We will then be left with commodity prices far below our cost of production- caused primarily by Government policy and actions- and no payments to compensate for lost income.

The 80 million dollar payback by ND producers for deficiancy payments received in 1988 is a good example of a serious flaw in the 1985 Farm Bill. Many Farmers will be hard pressed to fine the money to make these payments back to the Government and this 80 million dollar payback will further decimate our already devistated ND economy.

Recognizing that the 1990 farm bill will be budget driven. NFO feels the easiest and best way to improve farm income and to save budget and tax dollars is to raise the basic loan rate relative to target prices. Doing this would certainly reduce exposure to the budget.

To sacrifice our American farm producers and put our domestic food supply in jeopardy for the benefit of few gaint Multi-National grain traders in their attempts to control world grain trade and the world export market is ludicrous and dangerous. We must realize that people and Nations buy food because they have to have it- and not for the same reasons the buy other consumer goods, such as its cheap, plentiful, or the very latest model. Every Nation will always try to develop and protect their domestic food supply. Food is to important. No Nation ever wants to depend on another country for its food supply. Shortages of food can topple the strongest governments and stop the mightiest armies.

The world or export markets in food will always be a "Dump Market". After a government meets its first obligation of feeding its people, and because most food is highly perishable, any excess food most Nations produce is simply sold of the world market for whatever they can get.

NFO recommends that we should seperate our domestic food policy from a very unstable world or export market and begin to look out for the best interest of our consumers and food producers.

TESTIMONY FOR THE HOUSE WHEAT, SOYBEAN, FEEDGRAIN HEARING

We hear much talk that the 1990 Farm Bill should be a continuation of the Food Security Act of 1985 with refinements and improvements. Speaking only for myself as a farmer and concerned citizen, the Food Security Act of 1985 has been good for the consumers, the Railroads, the chemical and fertilizer Co's, the food retail chains, traders, the Multi National Grain co's, but this act has been devastating for me, for N Dak, for all of Rural America.

This Act has caused a serious transfer of wealth from Rural Area's to Urban area's and other parts of the world in the form of cheap food. Every time I sell a bushel of grain from my farm for less than it cost me to produce that bushel of grain, I am giving my labor, my families labor, and a little bit of my farm away. We have been trying to keep up by substituting lost income by consuming our assets, borrowing more and more capital, and with Federal Transfer Payments. This cannot continue.

I would like to caution all farm producers that what is happening to us producers as far as farm legislation is concerned should not surprise us. Farmers comprize only about 2% of the people. That means also that we are only 2% of the votes. Farm Producers no longer have any political clout or a political base to protect our vital interests in the political arena. We are one of the smallest voting blocks is America. The political situation is even worse when you consider farmers are further divided by many Farm Organization and Commodity Groups.

The NFO appreciates the efforts of this committee in trying to find solutions to the severe economic problems if Rural America. We understand that you are charged with the responsibility to write a new farm bill.

In closing, I would suggest to all farm producers that the days are long past when we can expect much help from any group, especially in the political arena. Almost every group in America has organized to look out for their special interest. Farmers must do likewise. Even if we farmers do not have much political punch, we still have considerable economic clout. We have the food. We have it first. We Farm Producers can and should do more to help ourselves extract our costs and profits from the marketplace. Thank You.

Kelly Shockman
Pres ND National Farmers

Kelly Shockman

HOUSE AG COMMITTEE HEARING-- FARGO-- 2-9-1990

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I would like to present this box of Wheaties to the Committee to further illustrate what is happening to farm producers and consumers. The message on this box of cereal tells the story of what has happened better than any words that I can say.

Consumers of America spend approximatly 12% of their disposable income for food. Of that 12% they spend for food, 25% goes to the producer. The other 75% of the 12% goes for processing, distribition, advertizing, retailing. For the all important task of producing the food that all Americans need every day of their lives, we farm producers receive only 3% of consumers spendable income. I think that is a national disgrace and must be changed or our plentyful supply of reasonably priced food will be at risk. The fact that we have to import Oats to meet domestic needs- and with all the agriculture and land resources we have- serves as a horrible example of how well the 1985 farm bill is working.

There is a lesson here for consumers. If bad Government policy and decisions promote more and more corporate control of production agriculture and the production of our food as they have in food processing, distribution, and retailing, then we will all know what it will be like to pay high prices for food.

All Americans, not only Envirmentalists, should be concerned about the abuse and exploitation of our land resouces. Pushing our land for more and more production, the use and over use of fertilizers and chemicals, the long term effect that these chemicals have on the farmers that handle and apply them, on the water, on wildlife, on people that intake these chemicals for a liftime, and especially the effect that ingesting chemicals have on pre-born and young children that have such a low tolerance level. The 1985 farm bill that encouraged all out production is mining our land at unprecidented rates. We need to save our land for future generations.

National Family Farm Coalition

80 F Street, N.W., Suite 714 Washington, D.C. 20001 (202) 737-2215

TESTIMONY OF RANDOLPH NODLAND, PRESIDENT
NATIONAL FAMILY FARM COALITION
BEFORE THE HOUSE AGRICULTURE COMMITTEE
SUBCOMMITTEE ON WHEAT AND FEEDGRAINS,
FARGO, NORTH DAKOTA
FEBRUARY 9, 1990

My name is Randolph Nodland. I am a farmer and rancher from southwestern North Dakota. I presently serve as President of the National Family Farm Coalition (NFFC), which is made up of 42 grassroots groups from over 30 states. Last night I returned from Washington, D.C. having spent several days in the Capitol attending a NFFC Executive Board meeting and visiting many Congressional offices to discuss the 1990 Farm Bill. I happened to be in Washington when Secretary of Agriculture, Clayton Yeutter announced the Administration's proposals for the 1990 Farm Bill and had an opportunity to attend the Full Senate Agriculture Committee Hearing on Wednesday at which Secretary Yeutter appeared.

It is very evident that the Bush Administration's farm policy means more of the same - more family farm operations out of business, more taxpayer subsidies for multi-national grain companies and more small town businesses being forced to close their doors.

In submitting his proposals Secretary Yeutter uses terms that can only be translated into lower farm income if the Administration gets its way. He talks of flexibility saying farmers need to be free to respond to market signals. He says reliance on the cost of production is an outmoded means of setting farm price supports and is inconsistent with other price support programs.

Since 1985, we have lost over 400,000 farms in the U.S.; over 6,000 in North Dakota alone. The present farm program has allowed large multinational grain companies to purchase our grain at far below the cost of production, with taxpayers subsidizing farmers through deficiency payments. Under the new proposals for 1990, Yeutter would expand that policy with increased Export Enhancement allocations. Nowhere in those proposals is there any guarantee that farmers will receive increased loan rates or target prices to cover higher production costs. Nor is there any assurance that target prices or loan rates won't be lowered even further under the proposals.

The National Family Farm Coalition (NFFC) supports raising CCC loan rates above the cost of production, which would provide a stable income to family farmers yet reduce costs to taxpayers. We have a farm bill proposal called the "Family Farm Act" that allows farmers the flexibility to switch from one crop to another by 20% per year if it fits their needs. The Administration's proposals for Normal Crop Acreage (NCA) would allow farmers to plant their total crop base to one program crop, almost assuredly wrecking the market with one year if short supplies had resulted in higher prices for that crop. USDA's proposal is basically decoupling yet the name has been changed to "de-linking". To farmers it means the same.

Another Administration proposal would eliminate federal crop insurance and replace it with disaster payments. A farmer would not qualify for disaster payments unless the county had an average yield below 65% of its normal yield. It appears that farmers in one end of the county could suffer a natural disaster and not be afforded crop insurance benefits, yet not qualify for disaster assistance if the rest of the county had a good crop.

The NFFC proposal would create a Commodity Reserve that would eliminate the need for disaster relief legislation. Under our proposal farmers who grow program crops would be eligible to draw bushels of grain from the reserve when they had a crop loss above a certain level of around 20%. Our bill has a bushel quota system with marketing certificates issued to eligible producers. This fits well with the Commodity Reserve. We are submitting drafts of our proposal with our testimony. We have a Sustainable Ag section where producers could voluntarily sign up for a 5 year program and receive cost-share payments for grass rotation type seeding. Those who choose to reduce chemicals and fertilizer under the plan would also receive some yield guarantee for the transition period by drawing down from the Commodity Reserve.

It is interesting to note that in the Administration's overview of their proposals, they acknowledge that the peanut program has small budget outlays, yet they are now proposing to change the program by adjusting the support rate to be "reflective of market conditions" in those words. This translates to lower prices. The one program that is working and should serve as a model for other commodity programs is now proposed to be gutted by Yeutter. It is also a reflection of the Administration's agenda at the GATT negotiations.

At the Senate Agriculture Committee hearing, Senator Conrad expressed many farmers' feelings when he said that while he supported several of the sections of the Administration's proposals, it flunks the one important test of providing adequate farm income. Senator Conrad also referred to a recent FAPRI report that indicated net farm income is projected to drop 41% over the next five years. Members of this Committee, be they Republicans or Democrats, should be concerned over continued loss of family farms and not over whether the U.S. can continue to dump huge quantities of cheap grain on the world market.

A farm program that provides prices above the cost of production with sound production management would achieve the goal of providing a stable food supply yet not hurt our family farmers or those in foreign nations.

I appreciate the opportunity to present our concerns today and look forward to working together throughout the ongoing debate.

(Attachments follow:)

LOAN RATE and CASH PRICE - WHEAT

	LOAN RATE	CASH PRICE
1947	1.84	2.29
1948	2.00	1.99
1949	1.95	1.88
1950	1.99	2.00
1951	2.18	2.12
1952	2.20	2.09
1953	2.21	2.04
1954	2.00	2.12
1955	2.24	1.98
1956	2.08	1.97
1957	2.00	1.93
1958	2.00	1.75
1959	1.82	1.76
1960	1.81	1.74
1961	1.78	1.83
1962	1.79	2.04
1963	2.00	1.85
1964	1.82	1.37
1965	1.30	1.35
1966	1.25	1.63
1967	1.25	1.39
1968	1.25	1.24
1969	1.25	1.25
1970	1.25	1.33
1971	1.25	1.34
1972	1.25	1.76
1973	1.25	3.96
1974	1.37	4.09
1975	1.37	3.56
1976	2.25	2.73
1977	2.25	2.33
1978	2.35	2.97
1979	2.50	3.78
1980	3.00	3.91
1981	3.20	3.66
1982	3.55	3.55
1983	3.65	3.53
1984	3.30	3.38
1985	3.30	3.15
1986	2.40	2.34
1987	2.28	2.64
1988	2.21	3.65
1989	2.06	--------

Figures in $/BU.

Loan rate set cash price in 25 of 42 years of Govt programs

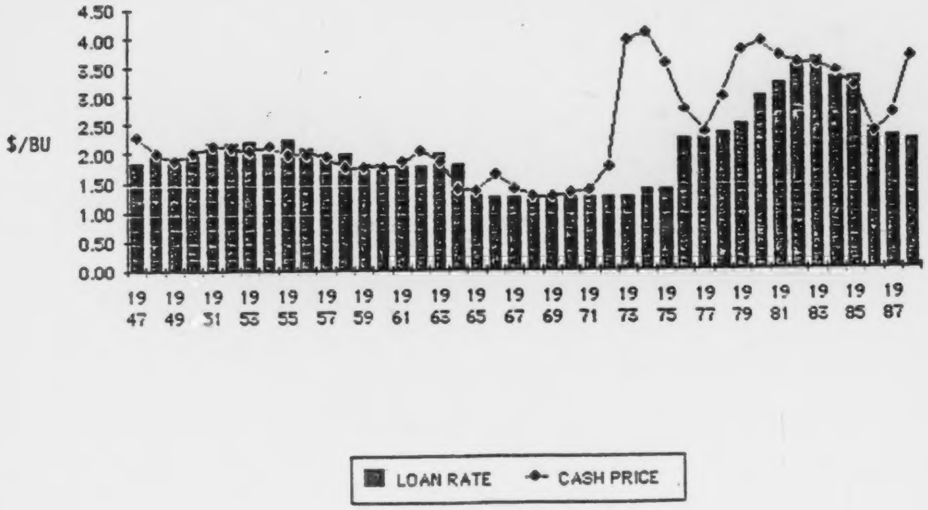
- russian wheat sale - 4 years

25
6
31 - 4

drought - 2 years

Source: ERS, ASCS, NASS.

LOAN RATE vs. CASH PRICES RECEIVED BY FARMERS - WHEAT



Source: ERS, ASCS, NASS.

National Save the Family Farm Coalition
80 F Street, N.W., Suite 714 Washington, D.C. 20001 (202) 737-2215

FAMILY FARM ACT 1990

COMMODITY TITLE

- **PURPOSE**

A bill to provide a stable and affordable supply of certain crops, grown under more environmentally sound practices, calling for a referendum of producers on the question of establishing price supports at a level covering the cost of production for crops grown, beginning with the 1991 crop season, and for other purposes.

- **DEFINITIONS** — to be inserted as the final bill requires

- **DETERMINATION OF QUANTITY**

The Secretary of Agriculture shall determine the quantity of the national marketing quota for a commodity by estimating the quantity utilized to meet (1) domestic demand, (2) export demand, (3) food assistance requirements, (4) domestic reserve requirements, (5) Farmer Commodity Reserve. This determination would be reviewed by the Senate and House Agriculture Committees annually to ensure oversight and opportunity for public review.

- **PLANTING INTENTIONS**

A producer would declare by a designated time, to the ASCS office, their planting intentions. A producer may shift up to 20% of their crop base each year, to another program crop without losing crop base.

- **MARKETING CERTIFICATE POOL**

Pool for base adjustment: After the Secretary determines the quantity of a commodity needed, for a period of five years, a pool of marketing certificates representing a percentage (for example 1/2%) of the total marketing certificates available, and in the event that an amount of a commodity established as a National Marketing Quota is greater than 100% of the base acres for that commodity, the quantity exceeding 100% would be allocated to the County ASCS Committees for distribution to: (1) correct base to cropland ratio inequities, (2) help beginning and re-entry farmers, and (3) arrest the decline of minority landownership.

- **CERTIFICATION**

After planting, a producer must certify, within 1% tolerance of planting intentions.

• MARKETING CERTIFICATES ISSUED

Marketing certificates would be issued to producers, determined by multiplying a farm's base acres, times established yield, times marketing certificate factor assigned to that farm size. The greater the farm's production, the smaller the percentage of marketing certificates issued.

Marketing certificates percentages shall be based on the following formula:

	CORN	BARLEY	WHEAT	SOYBEANS		Marketing Certificate Factor
Up to	10,200 BU	20,400 BU	9,800 BU	4,800 BU	=	100%
The next	5,100 BU	10,200 BU	4,900 BU	2,400 BU	=	94%
The next	5,100 BU	10,200 BU	4,900 BU	2,400 BU	=	88%
The next	5,100 BU	10,200 BU	4,900 BU	2,400 BU	=	82%
Balance over	25,500 BU	51,000 BU	24,500 BU	12,000 BU	=	76%

After certification, the Secretary will adjust marketing certificates to meet determined need by increasing or decreasing the number of certificates by an equal percentage among every size producer, on a commodity by commodity basis. Total number and allocation of marketing certificates would be determined on each commodity separately.

Acres on which marketing certificates are based, if not planted to certificate crop must be put to a conserving use.

On-farm use of a program commodity will be deducted from the number of marketing certificates issued.

• LIVESTOCK FEED ASSISTANCE PROGRAM

When livestock market prices are below the parity price support level established for small grains, then livestock producers with annual gross sales below $1,500,000 would be eligible to buy up to $50,000 worth of grain from CCC inventory at a price equal to the parity level at which the livestock is valued or they could receive certificates of equal value.

Guidelines will be written to prevent abuse of program.

* OVER-CERTIFICATE PRODUCTION

If a producer who is in compliance with the program harvests more of a commodity than they have marketing certificates for, the over-certificate production may be:

(1) stored on farm for use in a subsequent year,

(2) donated to the CCC for famine relief, including, but not limited to government administered relief programs, or

(3) sold to the CCC for Farmer Commodity Reserve at 25% of the established price support.

* PLANTING OF NON-PROGRAM CROPS

The Secretary may limit the acres of non-program crops if the Secretary determines that it is necessary (1) to maintain farm or ranch income; or (2) to minimize farming practices that degrade the environment.

* PRICE SUPPORT

Price supports on program crops shall be set at 75% of parity as established by USDA, with a 3% per year increase, up to 90% parity.

* SUSTAINABLE AGRICULTURE

A producer may participate in the low input sustainable agriculture (LISA) program by filing a five year farm plan based on provisions in the Low Input Technical Guide. Producers may appeal out of the LISA program after three years for reasons of undue economic hardship. Once they leave the program, they may not re-enter until the five year period is over. A producer's land may enter the LISA program at a rate of not more than 20% per year, or 200 total acres, whichever is larger. Producers whose entire farms qualify for the sustainable agriculture programs at the time the program goes into effect may enter their entire farm into the program.

Funds shall be appropriated for the Soil Conservation Service and local Soil and Water Conservation Districts for administering and staffing land and water restoration projects. Cost-share programs which will enhance soil fertility and/or water quality protection shall be instituted, including but not limited to planting of legume crops.

Improved farm practices, including crop rotation with seeding of legume crops would not result in the loss of base acres.

National low-chemical farming technical guides describing appropriate production systems would be developed by the USDA in cooperation with farmers and technicians with expertise in the hands-on experience of low-chemical sustainable farming. This guide would provide the criteria and guidelines for compliance in the sustainable agriculture program.

The Secretary shall call for and appoint a panel of experts to develop guidelines establishing criteria for the technical guides which will be developed at the regional or state levels.

This panel of experts, as well as state or regional panels shall be made up of nineteen persons: eleven farmers with demonstrated expertise in sustainable agriculture techniques; five USDA representatives, including ASCS, SCS and Extension Service, all of whom are involved with the low input sustainable agriculture program; and three representatives from non-profit sustainable agriculture research organizations.

No representative on the panel can be employed by or receiving grants from any agricultural input industry or any of these industries' non-profit research subsidiaries, within one year prior to enactment of this legislation.

Technical guides shall be completed within one year of enactment of this bill. The guides will clearly outline acceptable practices and techniques. For example, additional use of chemicals with no-till will not be considered a sustainable farming practice.

Economic risk of reduced income will be insured internally through the Farmer Commodity Reserve. Producers in the sustainable agriculture program will receive a higher percentage of recovery through the FCR.

Non-program crops would be included in the sustainable agriculture program after an affirmative vote in a producer referendum. Participation in the Farmer Commodity Reserve by non-program crop producers would be allowed by assessing a check-off fee.

* PRODUCER COMPLIANCE

Full Compliance -- Farmers would participate in a producer referendum which would require a 51% affirmative vote to require full compliance. If the initial producer referendum passes, the next referendum shall be held in 1996 and each fourth year thereafter. If the initial producer referendum fails, the next referendum shall be held the next year.

* CROSS COMPLIANCE

There shall be cross compliance of crops.

* WORLD FOOD SECURITY AND INTERNATIONAL TRADE

The Secretary of Agriculture is instructed to conduct trade negotiations with the other major exporting nations, to achieve international commodity agreements which would ensure that the U.S. retains its fair global marketshare, as defined by GATT (General Agreement on Tariffs and Trade) and that export prices remain equal to or above average costs of production of the exporting nations.

If the Secretary is unable to negotiate such agreements within such a reasonable period of time, no more than twelve months, then export restitutions, such as bonus bushels or marketing loans, shall be authorized to maintain U.S. marketshare at a level equal to the rolling average of the previous five years.

In order to ensure that the costs of these export restitutions do not rise above current agricultural program spending levels, a Food Reserve Coordinating Agreement would be negotiated through GATT. This agreement would require that all countries share the costs of maintaining global emergency food reserves, and that all exporting countries share the burden of production reductions whenever global reserves exceed agreed upon maximum levels.

These reserves will be effectively and totally isolated from the market.

To insure that such an international food reserve agreement can be effectively implemented, current GATT roles which specifically prohibit export dumping and which specifically permit import and export controls must be clarified to include value-added processed or competitive products and these rules must be uniformly and equitably enforced.

Special and differential treatment within GATT rules for developing countries cannot include the right to ignore normal GATT anti-dumping provisions.

All proposals to GATT which would give international agencies or their appointed experts the power to over-rule local, state, and federal government laws and regulations shall be specifically rejected

Additional provisions must be added to the GATT treaty which can insure that all environmental protection, food safety, and sustainable agriculture programs and incentives are explicitly acknowledged and are in no way, subject to prohibition or restriction by GATT.

- **IMPORTS**

Agricultural Imports: The Secretary of Agriculture shall, under the authority of Section 22 of the Agricultural Adjustment Act, examine and report to the President with respect to any imported articles that (1) increase the cost of conducting agricultural price support activities; (2) interfere with any program or operation undertaken by the Secretary; (3) reduce the quantity of products processed from agricultural commodities produced in the United States.

Labeling Imported Food: Any agricultural product or processed agricultural product that contains any imported ingredient that accounts for a significant portion of the product's value or volume must be marked to indicate the country of origin of the imported ingredients.

Limitations on Entry.: No agricultural commodity or product may enter the United States if the use of such chemical in the production, processing, or marketing of such article in the United States is prohibited by law. This applies to an agricultural commodity or product; either meat or a meat product, or a live animal used primarily for human food consumption which contains, or on which is present, any residue (or greater level) of any chemical prohibited by law in the U.S.

* FARMER COMMODITY RESERVE

A farmer commodity reserve (FCR) shall be established with available CCC stocks. If additional grain is needed to establish or replenish FCR inventory, the amount of deficiency would be included in the determination of need for the ensuing year. The FCR would also be replenished with over-certificate production which would be sold into the FCR program at 25% of the price support level.

Producers who are in compliance with the ASCS commodity program and experience a loss below marketing certificate quota are eligible to draw "like" grain, of equal value from the Farmer Commodity Reserve. If no "like" grain is available within the marketing area, the producer could request equal value in certificates, in lieu of grain. The FCR benefits shall be targeted so that the larger the value of loss, the smaller the percentage of recovery.

Producers could draw from on-farm stored stocks, at which time storage payment would cease. Farmers drawing from commercial storage would pay storage for one year only. The value of grain drawn from FCR by a producer, in any one crop year, shall not exceed $50,000 total.

A farming entity with annual sales above $1,500,000 is ineligible to participate in the FCR program.

Storage bins must meet prescribed standards. Preference shall be given to utilize on-farm storage, then to commercial storage with an emphasis on reserves held in disaster prone areas. Rate for storage of FCR grain shall be the same for on-farm or commercial storage.

In the absence of scale tickets for farm stored grain, ASCS shall provide commodity measurement within a tolerance of 5%. Failure to meet a 5% tolerance will result in payment by ASCS to the farmer of triple damages. Farmers will pay no punitive damages due to ASCS miscalculations. A natural grain shrinkage is recognized.

FCR grain shall be isolated from export dumping.

The FCR program shall be administered by the ASCS, with an Independent County Oversight Board of five members, elected by producers to negotiate disputes. Their decision would be appealable to the state court serving that County or to the federal court at the farmer's choice and expense.

Members of the Oversight Board would be paid at the same rate, and from the same source as the County ASCS committee members. The Oversight Board would meet as they deem necessary, but subject to review by the Sec. of Agriculture. Should the Secretary disband the Farmer Commodity Reserve Oversight Board, the Secretary shall provide for further oversight.

Guidelines will be written to prevent abuse of the program.

* CONSERVATION RESERVE PROGRAM

A county-by-county socio-economic impact assessment of CRP shall be developed for those counties who have reached their 25% cap, before allowing expansion of the national CRP acreage goals. This assessment could be done by an entity other than ASCS, but should, at a minimum, assess the environmental costs and benefits, local tax consequences, and impacts on suppliers, main street businesses, schools and other community services.

Requirements shall be developed for haying and grazing on CRP acres, which would deduct from the CRP payment the value of hay and/or grass. In the event of damage to the grass stand, reseeding and maintenance costs would be borne by ASCS.

Any new CRP contracts shall provide sustainable agriculture options available to landowners in preparation for termination of the CRP contracts. Sustainable exiting provisions in new contracts shall be made available, upon request, to landowners with existing CRP contracts.

* EFFECTIVE DATE

This law shall become effective at the beginning of each program year for the 1991 crop season.

* * * * *

TESTIMONY OF SARAH VOGEL
NORTH DAKOTA AGRICULTURE COMMISSIONER
BEFORE THE
HOUSE AGRICULTURE COMMITTEE
SUBCOMMITTEE ON WHEAT, SOYBEANS AND FEED GRAINS

FEBRUARY 9, 1990

Good morning, Chairman Glickman, members of the committee. I would like to thank you for providing an opportunity for grass-roots participation in the formation of the 1990 Farm Program by bringing the government to the people. In holding your committee hearings in the Heartland, you are giving those people who will be most affected by your actions the chance to have a say in their futures. But more importantly, you are giving yourselves the opportunity to learn from the experience and wisdom of these true agricultural experts.

North Dakota is the most agricultural state and has one of the highest rates of participation in the Farm Program of all fifty states. Therefore, we have a serious stake in the outcome of the 1990 Farm Bill deliberations. Further, we have a great collective understanding of the current program's strengths and weaknesses, as well as of the needs of the American family farmer and of the role government should and should not play in the business of growing the food that feeds our nation and our world.

Already, there have been several proposals for the 1990 Farm Bill. These proposals range from maintaining the status quo by sticking to the 1985 program to implementing an entirely new program. No single approach provides all the answers, but each approach merits serious consideration in order that we can meld the best aspects of the proposals into one Farm Bill that best serves the American family farmer, the environment, small-town rural America, the taxpayers and agribusiness. That is a formidable goal, but it is achievable.

Members of this morning's first panel presented specific proposals for the 1990 Farm Bill. Because I want to avoid simply repeating what others have already said, I am going to focus my testimony on some rather general issues, as well as on concerns I have about the direction in which the Administration seems to be taking U.S. agricultural policy. I will close with supporting statements for some of the proposals presented to you here today.

First and foremost, the 1990 Farm Bill should be one that benefits the family farmer. Study after study has proven that the family farmer is the most efficient and productive food producer in the world. Further, the family farmer views the land as a partner and treats it with loving respect. The 1990 Farm Bill must allow and encourage sound environmental practices and must allow America's producers to make adjustments to their production plans as dictated by the weather, the market and the producers' available resources.

I also firmly believe that the 1990 Farm Bill must not be rewritten in Geneva. The GATT negotiations cannot supersede Congress. Several grumblings have been rumbling throughout the halls of the Capitol and across the fertile fields of rural America that the Administration is using GATT to virtually write its own farm program, overriding the work of Congress. Some people have argued that the United States' acquiescence to the unfavorable ruling against our sugar program when challenged by Australia is just the beginning of having our farm program dismantled at the GATT negotiation table, completely out of the control of Congress and America's farmers.

I am also deeply troubled by the secrecy in which the GATT negotiations have been conducted.

The United States' goal of eliminating government agricultural support through GATT would be devastating to rural America. I recently received the USDA report "Economic Implications of Agricultural Policy Reforms in Industrial Market Economies", which was released in August 1989. This report deals with the effects of eliminating agricultural support systems. The report found that producer returns for all farm products in the United States would decline by an average of 13 percent, with wheat producer prices falling by 44 percent, rice producers' by 50 percent and sugar producers' by 69 percent. Conversely, or perversely, the same report found that world market prices for U.S. farm products would INCREASE by 5.9 percent, with wheat prices increasing by nearly 11 percent, rice by nearly 3 percent and sugar by nearly 23 percent. So, while the returns our farmers would receive will decrease, consumer prices will increase.

Perhaps what is most discouraging about GATT is that our own trade representative, Carla Hills, is providing misinformation at the negotiating table. This misinformation distorts the U.S. government's role in agriculture and quakes the very ground upon which U.S. agricultural producers stand. For instance, the November 1989 issue of NIKKO NEXUS Management News, contained an article on international trade written by Ms. Hills, in which she stated:

> The cost is staggering. Europeans spent almost $120 billion last year (1988) to support agriculture, in the United States, the total came to almost $76 billion.

I am at a loss as to where Ms. Hills got that number. I am at a greater loss as to why Ms. Hills would want to use such an inaccurate figure. According to Congressman Kika de la Garza, the total budget for USDA in 1988, including food stamps and various other non-agricultural programs, was approximately $44 billion. Direct support for agriculture, according to Congressman de la Garza, was about $12.65 billion in an overall $1.1 TRILLION federal budget. Staggering? Hardly.

Though I am by no means proposing the cessation of our participation in GATT, I am concerned that Congress insist upon fair and accurate representation of U.S. agriculture in the negotiations. The North Dakota Grain Growers have passed a resolution which calls for congressional hearings on GATT proposals BEFORE these proposals are officially presented at GATT negotiations. The resolution requires congressional approval of U.S. proposals before they are presented. This approach makes sense and would help to safeguard the integrity of our federal farm program. Furthermore, it would eliminate the possibility of having congressional action overridden by GATT.

Another area of concern I'd like to discuss today is federal funding for farm programs. On Tuesday, Agriculture Secretary Clayton Yeutter refused to discuss federal farm program appropriations during a press briefing on the Administration's farm bill proposals. Mr. Yeutter said the program and appropriations for it are separate matters. But the President's proposed Fiscal Year 1991 budget reveals clues to the direction in which the administration is heading.

The President's proposed budget requires Congress to cut $1.5 billion from federal farm programs. This is a disproportionately large cut when considered in the context of agriculture's slice of the federal budget. The President is asking for about an 8 percent cut in funding for programs which represent no more than 4 percent of the federal budget.

Perhaps one of the most controversial aspects of the President's budget is the proposed elimination of funding for the Federal Crop Insurance program. Though sources within the Administration, including Secretary Yeutter, have claimed that this proposal is meant to foster the formulation of a new agricultural disaster plan, I think the proposal is illogical, ill-conceived and ill-timed. Though FCIC is not without its problems, ending the program now is not the answer. Instead, the program should be improved. It's not as though no one knows how to make Federal Crop Insurance work. We have the recommendations of the Federal Commission for the Improvement of the Federal Crop Insurance Program. In addition, we have a wealth of good ideas contained in the record of that commission's hearings which were made by producers, elected officials, farm groups and representatives of the insurance industry from across the nation. The Administration cites high cost and low usage as reasons to abandon the Federal Crop Insurance program. But I contend that the farmer is once again being asked to bear the brunt of responsibility for poorly administered programs. For instance, in the Office of the Inspector General's Semiannual Report to Congress for FY 1989 (second half) it is noted that one reinsurance company was found to have withheld $12.5 million in FCIC premiums from the government. Though the company turned over the premiums once it was discovered, the government did not take any kind of punitive action against the company. If a farmer is unable to pay a premium on time, that farmer loses his or her entire coverage. (Likewise, if a farmer was found to have 100 fewer bushels than that farmer had a loan for, the crushing weight of the entire ASCS enforcement apparatus would press down upon that farmer.) Where's the justice in that? What savings would the program realize if these types of activities were uncovered and penalized? How much would participation in Federal Crop Insurance increase if the coverage it provided adequately covered a producer's cost of production? How will a national disaster program help a farmer who is wiped out by a freak hailstorm? How will that farmer gain the attention of all of Congress? There is no reason to abandon the program now, though there are reasons to improve it.

The President's budget also calls for cuts in Farmers Home Administration funding. Part of the President's plan is to eliminate direct lending and turn entirely into guaranteed lending. To support this policy, the administration has cited substantial losses incurred from direct loans. However, the administration has failed to distinguish between losses incurred from mammoth emergency loans made to large farming operations and losses incurred from traditional farm ownership and operating loans. If this distinction were made, it would be clear that FmHA's losses on traditional direct loans are much lower than the administration would have us believe. Furthermore, this distinction would eliminate support for the administration's policy of ending direct FmHA lending programs.

The budget also calls for a decrease in FmHA funding for state mediation programs. The President's budget calls for a reduction in this area from $3 million to $2 million.

North Dakota was one of the first states to receive accreditation and funding for its mediation program. In 1989, we were given up to $250,000 in matching funds for our mediation service. Though the money helped, it was not enough. The program is running over budget and we need increased not reduced federal support. In 1989, our mediation service provided assistance to nearly 1,100 NEW clients, while continuing both mediation and negotiation assistance to previous clients. During the calendar year, the mediation service dealt with nearly 1,400 cases. This is a substantial increase over previous years, and we do not foresee a slow-down in requests for services in the near future. Please keep in mind that mediation helps minimize FmHA's losses and therefore should be a program the Administration is willing to invest in.

I'd like now to turn my attention to certain aspects I believe should be included in the 1990 Farm Program. The issues I support include, but are by no means limited to, the following items:

* Calculating a farmer's base on yield rather than on acreage;
* Encouraging rotation to foster productivity as well as to practice more prudent land stewardship;
* Increasing target prices to better reflect a producer's cost of production;
* Allowing farmers the flexibility to plant non-program crops (including but not limited to oilseeds) without losing their government benefits;
* Treating malt and feed barley in a more equitable manner, including eliminating its comparative value to corn;
* Funding research to promote the reduction of production costs, the commercialization and formulation of new uses for agricultural products, and the utilization of environmentally sustaining agricultural methods;

* Forgiving advance deficiency payments for those bushels not harvested or marketed during a drought/disaster year and for which federal government disaster payments were received.

The last item deserves further explanation. Because President Reagan threatened to veto the 1988 Disaster Assistance Act if it contained a forgiveness clause for advance deficiency payments, several producers face the economic impossibility of having to come up with the capital to repay those advance payments. The threat carried over into the 1989 legislation compounding the problem. Members of Congress have been able to delay the repayment deadlines on more than one occasion, but that has not solved the problem. To make matters worse, drought conditions persist in several areas and it looks as though 1990 may be another bad production year. We need to address this issue head-on in an equitable manner that reflects the intent of the deficiency payment program.

My proposal is this: require producers who received disaster benefits in 1988 and 1989 to repay their advance deficiency payments only on those bushels they were able to harvest and market. The logic is simple. Deficiency payments were implemented to compensate farmers for the disparity between their cost of production and actual market price. Under the program, if a farmer is able to take advantage of "high" market prices, that farmer should repay the government since that farmer did not suffer a loss due to the cost of production being higher than market price. This is as it should be.

However, requiring a farmer to repay advance deficiency payments on bushels he never marketed or even harvested does not make sense. First, the producer was not able to take advantage of higher market prices resulting from the drought because the producer did not have the bushels to sell. Second, the advance deficiency payment added to the disaster payment often did not reach the target price; again, the producer did not reap a higher benefit because of the drought at the expense of the government. Third, advance deficiency payments are often used to plant the crop -- the money was invested long ago and did not yield a return, not through any fault of the farmer but because of a natural disaster.

Under this proposal, producers who were able to harvest a crop and benefit from higher market prices would be required to repay the advance deficiency payment. Also, producers who did not receive disaster benefits would be required to repay the advances.

Though this plan would require additional paperwork, all the necessary information should be on file at the county ASCS offices, making its implementation relatively easy and its oversight could be conducted on a local basis in a timely manner.

In closing, I'd like to remind each of us why we have federal agricultural programs and subsidies. Their purpose is, of course, to keep the family farmer on the farm producing food for the United States and the world. But, their purpose is also to ensure low consumer food prices so that we may maintain the quality of life that has become synonymous with being an American. Though you'd hardly guess it by judging from recent media reports, the American farmer and the American consumer are partners. I believe the American public needs to be re-educated about that truism. I also believe that some members of Congress and the Administration need to be reminded of it.

Thank you, Chairman Glickman and members of the committee for your attention this morning. The North Dakota Department of Agriculture and I look forward to working with you on the 1990 Farm Bill on a continuing basis. Again, thank you for bringing the government to the people. Thank you for listening to us.

NORTH DAKOTA SOYBEAN GROWERS ASSOCIATION
1351 PAGE DRIVE - SUITE 201, FARGO, NORTH DAKOTA 58103 (701) 293-3770

TESTIMONY OF KENT SMITH
NORTH DAKOTA SOYBEAN FARMER
BEFORE THE HOUSE SUBCOMMITTEE ON WHEAT,
SOYBEANS AND FEED GRAINS
UNITED STATES HOUSE OF REPRESENTATIVES
FEBRUARY 9, 1990

THE 1990 FARM BILL

This year, North Dakota soybean farmers harvested 14 million bushels of soybeans on 640,000 acres of land. Our crop has a cash value of $75 million and accounts for approximately 5 percent of the total crop value in North Dakota. Soybeans are the #4 crop in this state, following wheat, barley and sunflowers.

Soybeans are an important crop option for North Dakota farmers as well as an important source of income. That's why farmers in North Dakota are concerned about what is happening to the U.S. soybean market. We see the loss of soybean acres, production and profits as a dangerous sign that the U.S. could lose this valuable crop option.

During the past ten years, soybean farmers have watched as their industry has lost ground to foreign competitors. In 1979, the U.S. was the number 1 supplier in the world in soybeans and soybean products. Today, we've fallen to #3 as the supplier of soybean meal and to #4 as the supplier of soybean oil. We're still the #1 supplier of soybeans, but we're fast losing ground.

Today, more soybeans are produced outside of the U.S. than in the U.S. And, current trends project that South America, alone, will outharvest the U.S. by 1995. If nothing is done to reverse these trends, we will have lost a valuable opportunity to reverse U.S. acreage loss, and discourage foreign expansion.

In North Dakota, farmers have worked to increase soybean acreage. We want to farm soybeans because the growing world demand for soybeans tells us that there is a market for our soybeans. Yet, the more lucrative returns from program crops and the threat of losing base has prevented the broader expansion that the market calls for.

At the same time we've worked to increase soybean acreage, we've seen soybean yields go up and down from a high of 35 bushels/acre in 1986 to a low of 18 bushels/acre just two years later. Our soybean figures make it very obvious that our profitability is tremendously affected by the weather. Therefore, it is even more important that we have planting flexibility that gives us as many crop options as possible.

Planting flexibility would enable us to plant for agronomic reasons as well. A recent study by the North Dakota State University Extension Service showed that when planted after soybeans, sunflowers or flax, wheat yielded 22-45 percent more bushels than when planted continuously. Our farm policy must enable us to make planting decisions that will benefit farmers and not tie us to rigid programs.

North Dakota farmers also believe that less rigid farm policies would allow us to farm in a more environmentally sound way. Greater rotational options would result in less chemical inputs. That translates into lower costs of production and better stewardship of the environment.

Over the past two years, farmers in North Dakota have been working with soybean farmers across the country to develop a solution to these problems. We're proposing a Graduated Equity Loan (GE Loan) program which includes both income protection and planting flexibility when soybean prices are low. It provides farmers with an incentive to grow soybeans in response to the market and puts soybeans on a more equal footing with other program crops. It also places foreign competitors at greater risk by removing the price floor set by the current loan program.

Under the GE Loan program, a farmer would be eligible for a loan based on a formula which equates to target prices and setasides for corn and cotton. The percentage of production eligible for the loan would be determined by stocks levels. When stocks are low and prices are high, a smaller portion would be eligible. When stocks are high and prices are low, a higher portion would be eligible. There would always be a portion of a farmer's production at market risk.

The farmer could repay the loan at the lower of the posted country price or the county loan rate. An important part of the program is that the farmer would give up the right to forfeit his soybeans as repayment of the loan, so that government stocks would be avoided and foreign competitors would not benefit from price floors.

The Graduated Equity Loan is a program that will benefit farmers not only in North Dakota, but around the country. It's a program that will allow U.S. soybean farmers to reverse the trends that could mean the loss of the soybean industry.

North Dakota
Grain Growers Association
4023 North State Street • Bismarck, ND 58501 • 701/222-2216
ND WATS 1-800-932-8822

Statement of Carl Haugeberg
N.D. Grain Growers Association
before the U.S. House of Reps. Ag Committee, Wheat, Soybeans and
Feed Grains Subcommittee
on the 1990 Farm Bill grains program
Friday, February 9, 1990, Fargo, N.D.

Chairman Glickman, Congressman Dorgan and Congressman Johnson:

Thank you for holding this hearing in the state which has more at stake in these 1990 Farm Bill deliberations than most. We know that you, Congressman Glickman, coming from Kansas and Mr. Johnson and Dorgan from the Dakotas, understand what we have been through during this half decade of the 1985 Food and Security Act.

I am Carl Haugeberg, Vice President of the North Dakota Grain Growers Association. I have been a farmer all my life and, if I can get through this year, will probably continue to raise primarily durum, barley, sunflowers and flax the rest of my career.

Our organization, the North Dakota Grain Growers Association represents wheat and barley growers. Most of us raise some of each along with durum, sunflowers, some beans, corn and other variety crops as you come further east. Inspite of the drought, wheat leads all commodities in revenue production for the state. In ('89) the 242,320,000 bushels of wheat grown here, placed North Dakota first in wheat production over your state of Kansas, Representative Glickman, generating for the preliminary marketing year's average price for August - December, $855,736,000. However, not withstanding those statistics, wheat country has not experienced the net income rebound some sectors are enjoying.

Farmers were helped by the 1985 Farm Bill. By availing ourselves of the opportunities of advanced deficiency payments, PIK and roll, CRP, and the restructuring options some lenders supported, going into 1988 we were beginning to turn the corner. Exports, with the help of aggressive application of the Export Enhancement Program, were helping regain export markets. Then came the back to back droughts of '88 and '89. And even for us older but wiser veterans of the 70s era of excesses - these past two years of drought and decreased target prices have put us into the most precarious financial position we have ever been in!

Mr. Chairman, many of us can't afford the deficiency paybacks due now for barley and in July for wheat and satisfy our lenders enough to get into the field this spring. The disaster programs of '88 and '89 helped. And as you know most of us out here had crop insurance this year. But the disaster payments and insurance are not a substitute for having grain to sell!

We are working with Congressman Dorgan, Senators Burdick and Conrad and other grain state Congressional delegations to roll back the deficiency paybacks until we see if we have a crop this year. I hope you will work on this with us, Congressmen Glickman and Johnson. The mood on main street is really "owley" these days. Farmers are frustrated. Lenders are squeamish! And all of agribusiness is up or down depending on moisture.

So, you see, Gentlemen, the crafting of this years Farm Bill depends a great deal on what Mother Nature blesses us with in the next couple months as far as moisture goes; and how confident lenders are that the government will provide the protection farmers need to meet their obligations.

To meet the challenges of this continuously changing global market place, you truly have your hands full in putting together a domestic policy that can mesh successfully with the apocalyptical international transformations taking place. To assist you in shaping the 1990 Farm Bill wheat and feed grains title, the North Dakota Grain Growers Association supports fine tuning of some portions of already existing concepts.

NDGGA supports shoring up the target price concept while not letting the loan price create the floor for our competitors. Our state resolution on the target price calls for a consumer understandable eight cents a pound target price level. Consumers understand pounds -- they rarely buy anything by the bushel anymore.

The target price needs to be tied to cost of production or the rate of inflation to keep grain farming viable in this country. Since we hear little about getting a higher world price for grain, our domestic policy needs to help cover the cost of production.

Flexibility is the buzzword in allowing for market driven decisions, so we do not again build up stocks due to the wrong government signals. However, we also need to proceed with caution so that those of us with fewer cropping options do not get finessed out of business by inflexible regulations as a result of the new Farm Bill!

It has been proven by this Farm Bill that our set aside programs increased production everywhere our competitors were. So we support less set aside. Should we build up to the level at which full scale storage programs get cranked up again, NDGGA supports a Farmer Owned Reserve with payments comparable (32 cents) to commercial rates.

Congress and the administration reacted speedily in meeting the drought disasters of the past two years. However, we know that crop insurance needs to be a part of the Farm Program to allow farmers to manage risk. I know the President did not include funding for federal crop insurance in his budget. For whatever his reasons, I hope Congress provides a program that enables enough of a basic coverage that farmers who choose to pay for more, can afford to do so. I know how difficult this will be, but there are some sound proposals being brought forward. I only wish that some of the common sense proposals in the Federal Crop Insurance Commission report could be put into effect sooner than with the Farm Bill passage. Since most lenders require crop insurance, if a good risk management program is written, farmers will subscribe.

Environmental concerns are obviously an important overlay for this whole Farm Bill discussion. We farmers consider ourselves to be the original environmentalists! The National Association of Wheat Growers in cooperation with other major commodity groups has made a major committment of time and talent to provide a strong proposal for the 1990 Farm Bill. I hope your committee will study and incorporate this proposal as the basis for the environmental title.

Finally, Gentlemen, since barley is an important crop to us, we would like to see a separate barley section in the farm bill. Having barley included as a feed grain does not sufficiently address the peculiar nature of the grain, in that the same quality barley may, because of differing circumstances from year to year, be feed or malting barley. Inequities created by the present situation are vividly portrayed in the flawed formula upon which barley deficiency payments were calculated.

Flexibility to meet market demands; maintenance of the Export Enhancement Program; keeping a strong target price to cover cost of production; a risk management crop insurance program, a separate barley program; and a reasonable environmental section will go a long way to meet NDGGA expectations for a strong domestic farm program.

I would not be a North Dakotan if I didn't add a post script relative to the nightmare swampbuster and sodbuster have become. The fact that sodbuster and swampbuster became law before most of us were aware of the ramifications, has created problems for you in Congress and for us as producers. Congressman Dorgan is trying to get Class 1 wetlands -- nuisance potholes -- exempted as a practical matter. We agree and hope also that the penalties come more in line with the severity of the infraction. This topic may not directly come under your committee's oversight, but it does effect grain growers ability to farm. Thank you for allowing me that digression.

STATEMENT

OF

LOUIS D. ARNOLD
PRESIDENT
NATIONAL BARLEY GROWERS ASSOCIATION

Mr. Chairman, Members of the Committee. I am Louis Arnold from Esmond, North Dakota. I appear today as a representative of the United States barley producer. I am president of the National Barley Growers Association, headquartered at Washington, D.C. and also a council member of the North Dakota Barley Council, located at 415 - 38th Street Southwest, Fargo, North Dakota. I believe my testimony would be echoed by every barley producer nationwide.

It is a pleasure to be able to testify on the 1990 Food Security Act (FSA) as a barley producer and representative of other producers. Barley producers generally feel there have been several areas in past farm bills that tend to relegate barley to a secondary position. Thus the opportunity to discuss these discrepancies especially as relates to differences between barley used for feed purposes and that used for malting and food is appreciated. I believe it gives us an opportunity to convince the framers of the 1990 act to modify the several inconsistencies, as I shall point out.

Briefly - malting barley is a specialty crop. It is produced for a specific market and as such the grain must meet rigid quality specifications including the ability to germinate at 97% or better in a malt house. Protein must be 13.5% or less. Malting barley should weigh at least 46 pounds per bushel and should not be stained. Because of these unique quality requirements, malting barley usually demands a premium. Under normal conditions this premium will average 5 to 35 cents (ten year average 31 cents) above ordinary barley. The drought conditions of 1988 and 1989 were most severe in the major United States malting barley producing area of the Upper Midwest. Because of reduced supplies, real and imagined, the spread between ordinary barley and malting barley was as high as $2.00 to $2.50 per bushel. This abnormal spread caused unnatural calculations in determining deficiency payments for 1988 and 1989 crop deficiency and very probably, under our dry conditions, the 1990 crop.

Thirty to thirty five percent of the barley grown in the United States normally is used for malt production or the barley food markets (constant for the last 15 years). The other 65-70% goes into feed and export channels. You cannot use an all barley average for calculations when you have such a large discrepancy in useage. This has proven to be especially so when we experienced the drought conditions of the last three years.

The National Barley Growers have spent many hours during the past years attempting to ferret out the methods and statistics used to establish loan, target price and average farm prices.

From what we have found, target prices for barley in the 1981 and again in the 1985 farm program were to be set at "fair and reasonable" levels compared to corn. Why is it then that in 1982 corn target was at $2.70 and barley at $2.60 and in 1985 corn was at $3.03 and barley was still at $2.60? Why should barley have remained the same when in fact its feed value is as high as corn if not higher dependent on type of livestock being fed? We as barley producers feel that the way target prices are set for barley now is very, very discriminatory and must be corrected in the 1990 farm bill. Even more urgent is the fact it should be corrected for the 1985 farm bill as well.

We also understand that the sampling process that is used to determine farm price is not fair. It looks as though all malt houses are sampled, so for all intents and purposes all malting barley sales would be in the sampling. On the other hand, not all elevators that handle feed barley are sampled. Another item to remember is that the price from a malt house has transportation costs included. This would inflate the malting price even more above farm gate price. This later cost does not accrue to the farmers' sales price but goes to the transportation industry (rail, truck, etc.)

The drought shortened crops of 1988-89 pushed malting barley prices to the extreme but had only moderate effect on feed barley prices. As a result of sampling methods, malting barley caused inordinately high average farm gate prices.

Perhaps the major reason to review methods of calculating deficiency prices is that in establishing target price, USDA does not consider the malting barley premium. Target price of barley is established based on the feed value of barley in relation to the feed value of corn. Against this, however, when the cash price is established, the malting premium is included, not only included but, as we have indicated, at a level higher than its true proportion of the crop warrants and in many cases includes transportation costs.

Other factors to consider include the value USDA places on barley. The USDA level of comparison of barley feed value to that of corn is about 80-85%. Barley can and does rate 104% of corn or better when fed to certain classes of livestock. USDA uses this 80 - 85% figure which in most cases does an injustice to the true feed value of barley.

This disparagency of barley feed value when compared to corn can also be shown by comparing cost of production of the two crops and relative loan and target price values. The 1987 loan price for barley was only 91% of the cash cost of production. On the same basis the corn loan was 131% of cash cost. The 1987 barley target price was 92% of total economic cost of production, while the corn target was 138% of total economic cost of production. Use of cost of production would be a truer reflection of actual market response to barley supply and demand than using the current method of calculation.

Barley producers appreciate the opportunity to appear before congressional committees to support consideration of barley in the 1990 FSA. We do feel though that if barley were included in the 1990 FSA under a separate section of the Feed Grains Title, many of the discrepancies would be eliminated. Barley producers want barley included in the Feed Grains Title but would request that the discretionary powers now given to The Secretary to include or omit barley be written out of the legislation. Including barley in the Feed Grains Title of the 1990 FAS as a separate section would permit evaluation of supply/demand potential on the merit of actual barley availability rather than tying it to corn. There is precedence for establishing added sections to the Feed Grain Title in that corn silage was given a separate section in 1985 FSA.

Barley producers feel if funds are available for paid land diversion that these funds could be better used to strengthen Export Enhancement Programs and barley TEA projects. A viable, strong export program is needed. At present the EEP has been a helpful and useful tool in moving barley into export and to win back markets taken over by EC through our earlier neglect. Barley producers support strong EEP and TEA programs. EEP will develop an expansion of export markets for feed barleys and malt, adding to the demand of our domestic markets. It allows grain that does not meet malting, brewing and food industry quality specs to move into marketable position.

We would encourage programs that enhance farm storage of loan grain. We feel the producer is in better position to feed grain into the market at a moderate, reasonable rate as market prices dictate and to monitor potential quality change of stored grain than are the larger terminal storage entities.

The following statement may not meet much favor from several sectors of the economy but we encourage you to write the 1990 FSA as though the GATT will fail. We can not afford to dally on our next Farm Bill waiting for other countries to make up their regulations or accept United States and/or general GATT proposals. We need a strong, practical program developed in a thoughtful and timely manner. If the GATT does materialize, and by my statement I am not attempting to gaze into a crystal ball or in any way pretend to know what will happen, the 1990 FSA bill can always be modified so it will comply.

Barley producers generally support the concept of the 1985 FSA and would like to see many provisions carried over into the 1990 bill. As mentioned earlier we felt modifications are in order and have expressed our opinions with this in mind.

Some brief general comments on additional provisions barley growers would like studied. The growers feel that base and yield figures used in the program are generally out of date. They tend to penalize the progressive producer. These figures should be established on current supply and demand and should reflect the grower's true ability to produce.

Growers want to see the government use its loan and grant programs aggressively to support a vigorous export program.

Barley should be included in "Food Assistance" programs. Nutrition studies have shown barley to be a good source of Beta glucans and other ingredients that enhance the quality of human food. Beta glucans are credited with having characteristics that tend to limit and even reduce cholesterol deposit build up.

Barley growers feel that target prices must be raised and realigned for barley, wheat, corn and oats. Target prices must be set so as to protect the income of farmers at a point where he can recoup his production costs plus a reasonable profit.

The growers do not essentially favor many of the flexible base programs that are being discussed but feel a minor (5-10%) allowance in base exchange would assist in farming plans. An example - a field either an acre or so larger or smaller than base allowance could be finished with the same crop. This would be a small tolerance and would aide the farmer in maintaining his base and still do a good job.

Growers support continuation of the Foreign Agriculture Service export promotion programs.

Producers would support removal of the so-called "Malting Barley Exemption" (2) (C) which allows the Secretary to declare producers eligible for feed grain loans etc., even though overseeded if they seed acceptable malting barley varieties and the exemption has been declared in force. This regulation has not been invoked for several years. Malting barley production has been adequate to supply domestic demand, as we have experienced, even in the 1988-1989 drought shortened crops.

"Cargo preference" expansion is opposed.

Again, thank you for this opportunity to express the opinions of barley producers on factors that should be considered when writing the 1990 Farm Security Act.

National Sunflower ASSOCIATION

4023 North State Street
Bismarck, ND 58501-0690 USA
Phone: 701-224-3019
FAX: 701-224-2798
TWX: 910-677-2331 NATLSUNFL UD

Statement by Floyd Anderson
Chairman, National Sunflower Association

Subcommittee on Wheat, Soybeans and Feed Grains

February 9, 1990

Good morning, Mr. Chairman and Members of the Subcommittee. I am Floyd Anderson, a sunflower and wheat farmer from Brocket, North Dakota, and Chairman of the National Sunflower Association. On behalf of our 12,000 producers and the sunflower seed and processing industries, we very much appreciate the opportunity to present our views on the 1990 farm bill.

The sunflower industry grew out of strong world demand for oilseeds in the late seventies and early eighties. In several years we grew from several hundred thousand acres to over five million. We were destined for ten million by the mid eighties. The reality is, however, that we lost over 70 percent of U.S. sunflower acreage since 1981. This decline occurred while world consumption of sunflower and other oils remained very strong growing by 35 percent.

Why did this huge decline occur to a crop that is native to this continent and can be planted in many types of environments? For sure we did have some production problems because of close rotations. But more importantly, the 1981 farm bill directed program benefits to specific crops. Secondly, at nearly the same time, the EC placed a tremendous economic incentive on the production of oilseeds.

Unless the 1990 farm bill corrects the planting inequities, we will not have a sunflower industry in this country by 1995.

Mr. Chairman, our industry tried unsuccessfully to coexist with Federal farm programs during the 1980's. We have supported efforts to allow oilseed planting on program crop acres. These approaches have failed. Less than 5 percent of the sunflower acres signed up in last year's 10/25 program were planted, despite favorable prices. Other substitution options have done no better.

This past Fall, we proposed allowing producers to plant sunflower on conserving use acres under the 0/92 program in 1990 and still receive program payments. This would have been similar to the modified NCA concept being advanced by Senators Leahy and Lugar. Unfortunately, the USDA turned down our request even though their program proposals for the 1990 farm program is very similar.

After much frustration and painful experience, our conclusion is that simply having the opportunity to plant sunflower on program crop acres is not enough, even when the return per acre is better than that for some program crops. In addition to opportunity, sunflower must have the same amount of incentive, which we define as an equal level of income protection under the farm program.

Mr. Chairman, I would like to be able to tell you that our industry has figured out a way to increase the opportunity and incentive for producers to grow sunflower at no additional cost to government. Unfortunately, that just isn't going to happen. All we can do is ask that you appreciate the crisis facing the domestic oilseed industry, and make resolving it a top priority in this year's farm bill. In exchange, I offer the commitment of my industry to be as flexible as possible in considering alternative solutions.

We would offer the following guidelines as the Committee begins the legislative process. First, those involved should acknowledge that we are facing problems affecting all oilseeds, and that any solution must address all oilseeds. Soybeans, sunflower, canola and other edible oils compete for similar or related markets. Prices of the smaller oilseeds are determined using formulas based on the soybean oil contract on the Chicago Board of Trade. Any change in the competitive position of one oilseed -- particularly soybeans -- has a direct and immediate impact on the others. Thus, whatever is done with regard to one oilseed in the farm bill must be applied across-the-board to avoid disadvantaging producers of other oilseed crops.

Second, there is no question that soybeans are the benchmark oilseed crop in the United States. Soybeans represent over 95 percent of non-program oilseed production. Whatever policies are developed for the smaller crops will be influenced -- if not dictated -- by what is done for soybeans. The sunflower industry is committed to supporting any approach adopted for soybeans that is equitable and will make the U.S. oilseed industry fully competitive for domestic acreage and foreign markets.

We have studied several of the policy approaches proposed for addressing the problems facing the oilseed industry. With regard to the "Graduated Equity Loan" plan advanced by the American Soybean Association, we support the establishment of equitable income protection levels for oilseeds based on the target prices of crops that compete for acreage. In the case of oil-type sunflower, we have used cost-of-production data and the 1990 crop wheat target price of $4.00 per bushel to derive an income support of 10.2 cents per pound. The rate for confection sunflower, which has a higher production cost, would be proportionately higher.

Sunflower producers would also accept ASA's proposal to factor any acreage reduction requirement into the income support level, and to restrict income protection to a portion of production, based on stock levels or some other trigger. Alternatively, we are willing to establish an acreage base for sunflower and comply with ARP requirements in order to receive benefits, as under the regular farm programs.

One important area that the ASA plan does not address is the need to provide for planting flexibility. Our industry has lost most of its 1981 acreage, and our crushing plants are operating at 50 percent of capacity. We need to regain acres lost over the past ten years, up to a total of at least 3 million acres. So we believe that the opportunity to plant sunflower on program acres -- either a percentage of base or under an NCA program -- must be part of the answer.

There is discussion and apparent interest in a marketing loan for oilseeds. The National Sunflower Association actively supported the effort to establish an oilseed marketing loan in 1987 as an effective way to compete for world markets with minimal government interference. We would be very interested in working with the Committee to develop a workable formula for an oilseed marketing loan if the Committee chooses this direction.

We have also examined the modified Normal Crop Acreage plan offered by Senators Leahy and Lugar in November. We appreciate the increased planting flexibility the plan would provide, and the recognition that oilseeds should be addressed across-the-board. One reservation, however, is that some producers may increase plantings of program crops in order to expand future program base acreage rather than increasing oilseed production. We look forward to working with the Committee on the NCA concept as a promising approach for allowing sunflower acreage to expand.

A fourth approach under review is the so-called "flexi-ARP" concept, under which producers would have several alternative sets of income support and acreage reduction levels to choose from. Depending on how planting flexibility and oilseed income support are included, the sunflower industry is prepared to work with the Committee to develop an effective program.

Mr. Chairman, sunflower is the second largest produced oilseed in the world. It is an attractive crop in our part of the country, where it works well in a rotation with a broad range of crops and environments. Its per-acre returns are usually better than most crop alternatives.

Sunflower is a rotation crop. It helps to break up disease and weed cycles of small grains. It has the ability to penetrate deep into the soil profile to extract nitrogen that has leached beyond the shallow rooted small grain crops. The crop is processed here in the rural areas where economic development is needed so dearly. It means jobs!

Our industry has never feared open competition with other crops for acreage or with other oilseeds for markets. We have learned to fear only competition with Federal programs benefits and foreign subsidies and trade barriers. We have also learned that policy change is an evolutionary process that can take many years.

Under the circumstances, the sunflower industry is convinced that our crop must have the incentive of an equitable income protection level in order to survive the next five years. We also need an opportunity to regain the acres sunflower has lost during the 1980's. Our former markets are still buying product. In fact needs of these markets are greater today and will continue to increase. But our farmers are not supplying the products. The Argentines, Canadians, and yes, the Europeans are supplying such large markets as Mexico, which we once dominated.

We stand ready to work with you and other Members of the Committee in developing an effective and practical solution to the crisis facing sunflower and other crops in the U.S. oilseed industry.

This concludes my oral statement, Mr. Chairman. I would be happy to answer any questions the Subcommittee may have.

Statement of

David Haugo, President
Minnesota Association of Wheat Growers

Mr. Chairman, members of the committee, I am David Haugo, a farmer from Waubun, Minnesota, and President of the Minnesota Association of Wheat Growers. It is my pleasure to be in North Dakota and have this opportunity to testify on the 1990 Food Security Act (FSA) on behalf of the Minnesota Association of Wheat Growers, and as a wheat producer.

The Minnesota Association of Wheat Growers seek a Food Security Act that provides relief from the conditions which deny fair returns from the marketplace, and fair access to markets for all classes of wheat.

The 1990 legislation must protect farm income in relationship to costs of production and must include measures to manage wheat carryover through on-the-farm storage and increased exports.

Mr. Chairman, as you are aware, many changes have taken place since the 1985 Farm Bill was written. The wheat industry has seen exports expanded, stocks reduced, and program costs lowered. This was due, in part, to the 1985 Farm Bill. However, we must remember that changes in macroeconomics and two consecutive droughts were also major factors. We do not want to rely on another devastating drought to help the 1990 farm policies succeed.

In order for the 1990 Farm Bill to succeed, wheat producers will need income protection from low market prices, increasing production costs and inflation. We support the continuation of the target price concept as a way to provide income protection for farmers. The downward trend of target prices must be reversed and should reflect our increasing costs.

In 1984, wheat target prices were at a $4.38 per bushel level and remained there through 1987. Since then, the support level has declined to $4.00. Using the purchasing power of today's dollar as an average of consumers' prices, that $4.00 wheat today can only purchase what $2.70 did in 1980. It would seem that all consumers could understand that farmers who are also consumers cannot survive forever with wheat support prices going down, purchasing power decreasing and costs rising. We will need your help to convince other policy makers that they must accept an adequate level of farm program expenditures for our efficient and safe food system. We have all realized that the marketplace cannot consistently provide a fair price which is evidenced by the past two years where the national average prices have been well below our current target prices, and while we have record low stocks.

Another very important point would be in the event of unpaid acreage reduction programs. In this case, the target price should be adjusted upward to directly compensate for the income loss which would occur due to a reduction in harvested acres. This position, as well as many of our other statements, have been adopted by the National Association of Wheat Growers of which we are a member state.

Target prices are for income protection and the Federal Crop Insurance Program should be used to manage risk. This program is not perfect, however, it would be disastrous to many farmers if the program was eliminated.

The Federal Crop Insurance Commission has made some very sound proposals that would help fix shortcomings within the program. With the 1990 Farm Bill, or through separate legislation, Federal Crop Insurance should be improved in order to attract more participation.

The 1985 Farm Bill provided some options for flexibility, but were never implemented. The 1990 Farm Bill should take a cautious approach to base flexibility and allow a 15 percent shift in base without a loss of base or deficiency payments. We are very concerned that flexibility will be used to decrease the ability of Congress to maintain an adequate safety net for farmers.

Mr. Chairman, Congressman Dorgan and Congressman Johnson, as you can see, the concerns that we have in Minnesota are very similar to the ones that Carl Haugeberg, our friend from North Dakota, has just outlined for you. In addition, we want you to know that we are very much in support of the efforts they, and their congressional delegation, are undertaking to roll back the repayment of 1988 and 1989 deficiency payments until after we harvest a crop.

Another North Dakotan that is presently testifying today is Louis Arnold, President of the National Barley Growers Association. I truly believe that his testimony is well recognized in the state of Minnesota, and that every barley producer would echo his words.

A major concern for this region is the unreasonable regulations that swampbuster has imposed. The regulations and interpretation does not have any common sense associated with it. If the supporters of swampbuster could only see the types of land that they so desperately want to regulate, we believe they then would finally understand our fears about the legislation. For most infractions, the penalties are by far, too stringent.

We support Congressman Dorgan in his efforts to exempt type-1 wetlands from this regulation. We also urge that land that was planted to an agricultural commodity for 6 out of 10 years be exempt from the legislation, as well as wetlands of one acre of less.

We are well aware that environmental interests will play a large role in the writing of the 1990 Farm Bill. Just looking back at what happened with the above mentioned swampbuster legislation sends a real cold chill down my back. As farmers, we strongly believe we are probably among the most concerned environmentalists, and strongly urge that emotional debate of these issues be kept in check. In this regard, we sincerely hope that you will study, consider and incorporate the National Association of

Wheat Growers' environmental proposals for the Farm Bill. They, in conjunction with other national commodity organizations, have made a major commitment of time and talent to provide viable solutions.

Finally, we would like to have the 1990 Farm Bill reinstate the Great Lakes set-aside that was created in the 1985 Farm Bill and that we oppose any expansion of Cargo Preference.

Again, thank you for this opportunity to present the positions of Minnesota Wheat Growers and to share the concerns common among wheat and barley growers in Minnesota and North Dakota.

North Dakota
Corn Growers Association
Box 455 / Fairmount, North Dakota 58030 / 701-474-5471

Corn is a principal crop in North Dakota, ranking fifth in the number of acres planted, after wheat, sunflower, barley and oats. Of 730,000 acres harvested in 1987, 500,000 were for grain, 230,000 for silage.

While most North Dakota corn is grown in the southeastern part of the state, corn acreage has the potential to expand to the north and northwest, largely due to new higher yielding early corn hybrids.

I would like to limit my comments to the following issues:
- Normal Crop Acres
- Triple Base
- Federal Crop Insurance
- Farm Credit

~~My colleague Robert Thompson, National Director for the NDCGA will mop up.~~

Normal Crop Acres:

We are interested in the NCA concept as one which would provide greater flexibility to the producer. There would appear to a great deal of support for a shift toward flexibility in farm programs as more farmers become familiar with enterprise analysis in evaluating their management prowess. The recent introduction of a bill by Senators Lugar and Leahy which appears to embody the NCA approach indicates the bipartison support for flexibility on Capital Hill.

On the negative side, the very scheme that would provide each producer the latitude to develop each year a crop mix that would allow him to maximize profits from the market may be good for him in the short run, but harm the agricultural sector in the long run. In 1978 under NCA farmers were able to increase barley production by 6 percent despite high participation in the set-aside and diversion programs that year. It is likely that USDA's ability to control future production of specific crops would diminish under NCA. I wonder whether we are willing to face up to the consequences.

TRIPLE BASE

A three tiered acreage base for each program commodity (the essense of Triple Base) seems to provide flexibility to the producer along with a great deal of control for USDA. My concerns with this approach are (1) This approach follows the pattern of computation A based on the sum of B and C divided by the square root of D in the years 1987 through 1989. My point is that administrative diffucilties are all too common at local ASCS offices. This is largely due to the lengthy

information requirements and complicated calculations required by our present program. SIMPLE IS BETTER
(2) Since no government payments are received on the flexible portion of the commodity base, this approach seems to be a smoke screen for reducing the total level of price protection an individual producer would otherwise receive.

FEDERAL CROP INSURANCE

The NCGA urges our members to consider crop ins. as a risk management tool. We oppose making crop insurance mandatory for participation in the farm program. I personally have never carried crop insurance--I've considered it too expensive. If maximum coverage were increased to more than 75% of loss, rates on lesser coverage should not be affected. In other words, those who desire to purchase more insurance should not be subsized by those with lower deductibles. We strongly support efforts to simplify the program and urge that ASCS yields be used wherever possible. A young farmer provision which would roll in an appropriate yield would help offset the problems young producers have in establishing a reasonable production history.

FARM CREDIT

Current Farmers Home Administration policy of emphasizing guaranteed loans through traditional lenders rather than direct operating loans is a step in the right direction.

I am glad to see some commercial banks as well as the Bank of North Dakota providing for loans on agricultural real estate. There is definitely a need to provide competition to the Farm Credit System.

Statement by Robert Nowatski
Member of the Board of Directors, U.S. Canola Association

Subcommittee on Wheat, Soybeans, and Feed Grains
Committee on Agriculture

February 9, 1990
Fargo, North Dakota

Good morning, Mr. Chairman and Members of the Subcommittee. I am Bob Nowatski, a wheat, barley, flax and canola farmer from Langdon, North Dakota. I am appearing today on behalf of the U.S. Canola Association, of which I am a member of the Board of Directors. USCA represents producers, processors, seed companies, and others interested in the development of the canola and rapeseed industries in the United States.

In addition, I am a member of the North Dakota Oilseed Council, which is a sunflower, flax, safflower, crambe and canola research and promotion organization funded through voluntary grower checkoffs. I am also serving my 4th term in the North Dakota House of Representatives as a member of the House Appropriations Committee and the Interim Agriculture Committee.

Our Association was formed in June of last year in response to the rapid growth of interest in canola among U.S. farmers, consumers, and agribusiness. Canola is a new crop opportunity in this country. Commercial production began in 1985, when the Food and Drug Administration granted approval for use of canola oil as a food product. Since then, several processing companies have set up crushing plants to handle canola, including the plant at Velva, ND, which is the nation's first to be dedicated to crushing canola.

Growers around the country are beginning to experiment with the crop. We estimate that 80-100,000 acres were grown in the U.S. in 1989. North Dakota is a leading producer and canola has been grown here since the late 1970's. I have personally conducted research on canola in this state since the mid-1970's.

Demand for canola in the U.S. has grown much faster than domestic production. Canola has the lowest saturated fat content of any commercial vegetable oil -- about 6 percent. Food processors are using canola in snack foods and other products as well as selling it in bottled form. As a result, imports of canola oil last year, primarily from Canada, totalled the equivalent of 500,000 acres, worth about $100 million, up dramatically from almost nothing just a few years ago.

As a rule of thumb, canola can be successfully grown wherever wheat is produced. Winter varieties are found in winter wheat areas, including the Mid-South, Midwest, Southern and Central Plains, and Pacific Northwest.

Spring varieties of canola and rapeseed are suitable for much of the North Central region and present, for North Dakota farmers especially, a rare opportunity for diversification.

Canola is a good rotation crop. Studies show that the yields of other crops, such as wheat, are increased when canola is in the rotation. Canola is "environmentally friendly" and, like sunflower, is able to retrieve fertilizer lost below the root zone of most other crops.

Last but not least, Mr. Chairman, canola is profitable for the farmer. Its return over variable cost compares favorably to wheat and other traditional crops. Given projected growth in demand, canola should continue to attract producer interest and domestic production has the potential to grow during the 1990's.

I would like to comment briefly on the current farm program, and provide our position on the 1990 farm bill. The canola industry supported extension of the 20 percent substitution provision in the 1989 Disaster Act to maintain access to planting on program acres. Our experience last fall was that, due to several factors including USDA's decision to encourage increased wheat acreage, producers in winter canola areas did not take advantage of the substitution option. Without program flexibility with incentives, the same situation is likely to occur in this state and region.

As a result, we joined the sunflower industry in requesting USDA to allow planting of canola on conserving use acres under the 0/92 program for harvest in 1990, with deficiency payments on the planted acres. Unfortunately, the Department felt that this option would disadvantage producers who could not participate.

In our view, allowing producers to receive full program payments under this kind of substitution program would be the best way to broaden the opportunity to grow canola under the current program. Such a plan would be similar to the modified Normal Crop Acreage proposal introduced by Senators Lugar and Leahy. Our industry also favors providing producers with unrestricted flexibility for canola to be substituted for program crops.

As a very new crop, we are understandably concerned about any program that would restrict canola production to an historical acreage base. Even an NCA approach could inhibit production if producers could not continue to grow canola on free acres. Any base concept should be designed to allow producers to continue to build a canola base on free acres, and should have a shortened period for base-building.

We are aware of a number of alternative proposals to provide some form of income protection in order to maintain or encourage oilseed production. As a new crop with only a fraction of national oilseed production, canola is in no position to suggest whether and how oilseed income should be supported under such plans.

It is clear, however, that any oilseed program that includes an income support feature must apply to canola as well as other crops. All oilseeds compete for the same or similar markets, and their prices are interrelated. If only one oilseed crop is provided with special benefits, it would severely disadvantage the others.

We would particularly note that the Graduated Equity Loan proposal of the American Soybean Association would be extremely harmful to our industry if it were implemented only for soybeans. By allowing producers to market their crop at the posted county price and still receive income protection, there would be no floor for prices of any oilseed.

Therefore, Mr. Chairman, we would urge you and other Members of the Subcommittee to include canola and rapeseed in any oilseed program that provides income protection or allows producers to market their crop at prices that are competitive in the international market. We do not support or oppose such an approach. We simply do not want to be disadvantaged if such a program is adopted in this year's farm bill.

In closing, Mr. Chairman, the canola industry sees the current farm program, including the lack of a crop insurance program, as restricting the potential growth of canola production. If the income protection provided to program crops is equalized, our prospects would improve. Our bottom line is to be treated the same as the other oilseeds with which we compete in the market and with the crops which compete for acres on the farm.

The demand for canola oil in the United States is consumer driven, exists now, and is growing dramatically. Canadian farmers are very willing and able to supply this demand. We need a farm program that encourages domestic production of canola so that our producers can fill this demand, rather than the U.S. having to rely on imports.

This concludes my remarks, Mr. Chairman. I will be glad to respond to any questions you or other Members of the Subcommittee may have.

TESTIMONY OF ANDREW HEINZE DAZEY, NORTH DAKOTA
DAKOTA RESOURCE COUNCIL FEB. 9, 1989
U.S. HOUSE AGRICULTURE SUBCOMMITTEE ON WHEAT, SOYBEANS AND FEEDGRAINS

Mr. Chairman, members of the committee. My name is Andrew Heinze. I farm near Dazey in east-central North Dakota. I am representing Dakota Resource Council, which is a grassroots membership organization dedicated to preserving family farms and natural resources. The Dakota Resource council is a member of the National Family Farm Coalition.

The declining prices for agricultural production is destroying small businesses, limiting opportunities for people to own personal property, and restricting economic development. The disposable income in our community must increase substantially or our rural areas will continue to erode.

The Family Farm Act contains (1.) A parity pricing mechanism for the production of the nations base commodities. People supporting the Family Farm Act understand that a sovereign people's most important task is regulating the value of goods to the benefit of consumers and producers. The act also contains provisions for:

2. Strict supply management to lessen the cost of storing excess commodities.

3. International trade agreements to establish market shares for exporting countries. Also that importing

countries will have access to a more reliable, higher quality commodity.

4. Sustainable agriculture to encourage less chemicals, higher quality products, and lower production costs.

5. Farmer commodity reserve so that in case of disaster or drought the consumer will be protected and the producer will have grain to market.

Current pricing mechanisms of a loan rate and target price is much to costly to the taxpayer and gives little security to the consumer or producer. Over 11% of North Dakota farmers have gone out of business in the last 5 years and there has been a steady decline of main street business. Over the last 10 years farmers have had to supplement their income. The average N.D. Farmer now has $10,000 of off farm income. This causes undo competition for a limited number of jobs.

What we need is a equitable price that covers cost of production and a reasonable return on investment and labor. A floor at 75% of parity with an increase of 3% a year until 90% is achieved. That would provide the growth and economic prosperity needed. Wheat and barley alone would provide about 400 million additional dollars of disposable income in North Dakota. Example:

Present farm bill	Family Farm Act
260 million bu. wht.	220 million bu. wht
× 75% @ $4 ; 25% @ $3.50	× 100% @ $5.70
$1.0075 billion	$1.254 billion

155 million bu. bly	140 million bu. bly
× 75%@$2.3 ; 25%@$1.9	× 100%@$3.58
$347.98 million	$501.2 million

Historically, market prices have followed the CCC loan rate. The 1986 CBS and New York Times pole reflected 70% of the people would not mind paying higher prices as long as it went to the farmer. To me that shows a keen interest by consumers to support a diverse Agriculture.

The supply management system under the 1985 Food Security Act is in a shambles. It makes no sense to be spending millions of dollars trying to export spring and winter wheat while at the same time we are importing durum wheat. There is no reason to be spending millions of dollars seeking exports of soybeans and feedgrains while at the same time importing oats and beef.

Currently this country imports roughly 10% of our consumption of beef. We export about 1/4 th the amount that we import. What this means is that millions of acres should be diverted to production of other commodities that seem to be in short supply in this country. This would allow American farmers to diversify and become more economically stable while saving taxpayers and consumers an enormous amount of money.

What we need is a strict supply management system which will align production with demand and reserves. A bushel based system that will allow farmers to diversify land use. Strict supply management is the tool needed to hold down government costs and create stability in the market place and not the mechanism to raise prices to an artificial level as it is often incorrectly asserted. (See charts reflecting surplus [supply] and dollar value [demand] that show market manipulation has more effect than supply and demand.)

Current legislation supports monocropping and inelastic crop choices. The long term production capability and soil capacity are in question.

The Sustainable Ag section of the Family Farm Act addresses the environmental concerns that our nation is facing. This part offers incentive and flexibility to farmers to voluntarily enter into a program that would lessen dependence on chemicals and diversify land use with cropping options that tend to be less fertilizer intensive.

To attract farmers cost sharing and production level guarantees will be implemented to alleviate risk while converting to a more sustainable production system. This program will help ensure future generations that they will have opportunity to grow quality food at reasonable prices.

The costly reserve program that put a lid on market prices in preceding years has to go. Many times we heard of reports of grain going out of condition and multinational grain companies reaping profits from their inflated storage costs. The voter will no longer put up with these foolish expenses.

The Farmer Commodity Reserve has an important part in the Family Farm Act. By its design it addresses disaster relief and crop insurance. It sets aside an amount of commodities isolated from the market to be used during natural disaster. It also provides a cushion for the farmer if he or she has a production shortfall.

The administrations position at the GATT (General Agreement on Tariff and Trade) regarding agriculture must be rejected. The elimination of import controls and export restrictions only places farmers in a position which he or she must bid down his or her standard of living in order to compete internationally.

The harmonization of sanitary and phytosanitary regulations will surely result in lower food safety standards for the U.S.

What we need are responsible trade agreements that reflect every nations sovereignty over its natural resources. We propose that every exporting nation develop, by agreement, an international market share. Also, that these nations share in the responsibility of maintaining a world reserve.

Teddy Roosevelt understood this and said, "The world is never more than one year from starvation." President McKinley said, "Cheap prices mean cheap incomes and a cheap people".

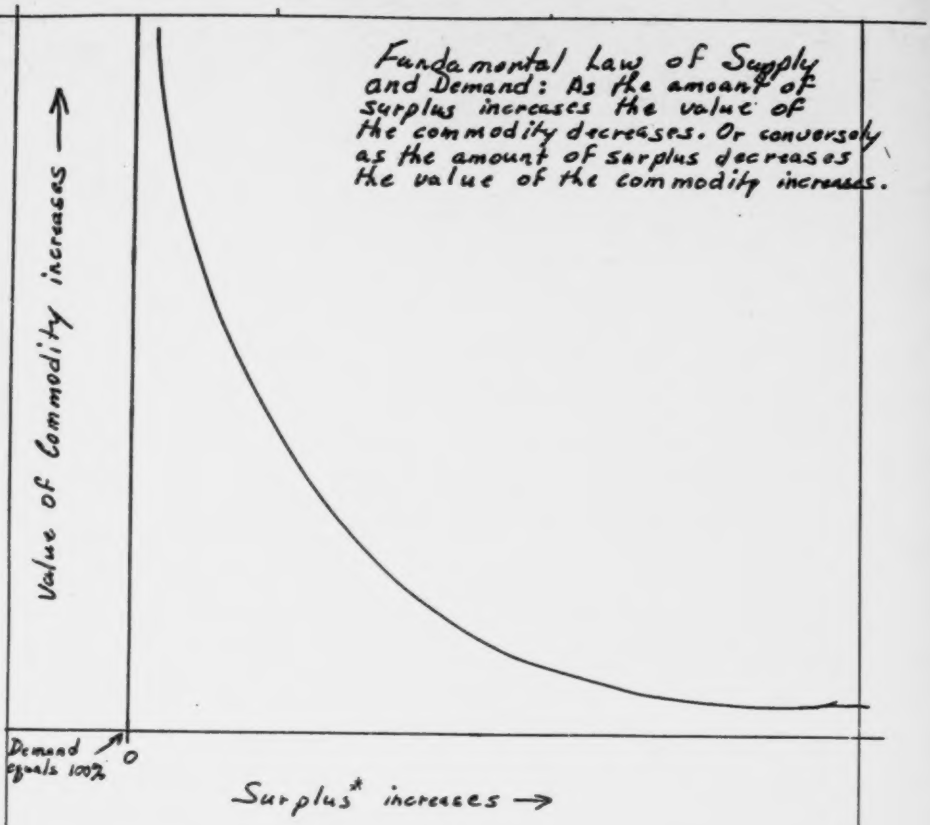
The late Dr. John Lee Coulter, one time president of the college here in Fargo and a chief economist and one time head of the U.S. Tariff Commission. The most prestigious award program in his honor is a highlight in the economics department at our present North Dakota State University.

He gave this recommendation to a Senate Committee concerning reciprocity and access, advantage, or privilege between trading countries. "The reciprocal trade agreements program should not be continued;" he said "or if they are continued agreements entered into should either be approved by the Senate as treaties, or by both Houses of Congress as legislation intended to produce revenue or to regulate commerce." In the eyes of many Dr. John Lee Coulter was a true descendent of the eminent men who wrote the United States Constitution.

I would like to finish my testimony with this reflection. With the specter of market manipulation in our great commodity exchanges of the day I can picture Teddy Roosevelt clearly saying "that the question of most vital importance before the country is the control and strict regulation of the great corporations," and that "lack of capital on the part of the farmer inevitably means soil exhaustion and therefor diminished production."

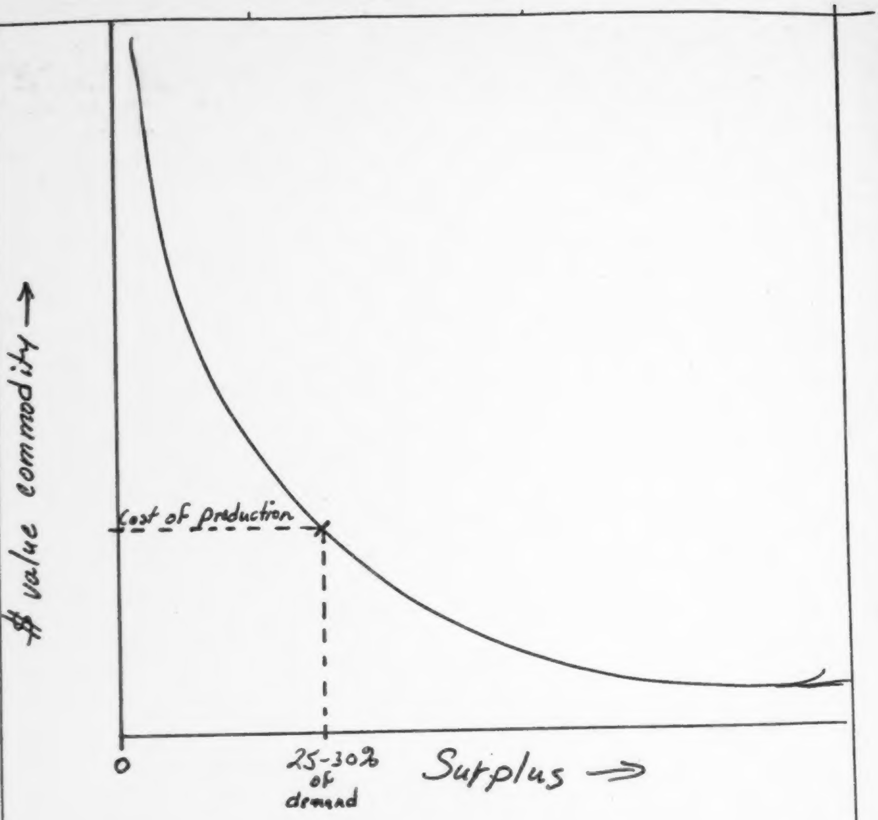
By and by I think of how a neighbor has passed and when my time may come. And if I had stood up for him if I would have been better off. Hear our cries. If you can't pass a family farm bill that sustains communities and wage earners with a value of production above costs, then defer to the permenent farm bill. The whole country would be much better off. Don't negotiate the future of Americans for the benefit of few multinational trading companies. Food is peace. Thank-you Mr. Chairman, for bringing this field hearing to the great state of North Dakota.

(Attachments follow:)



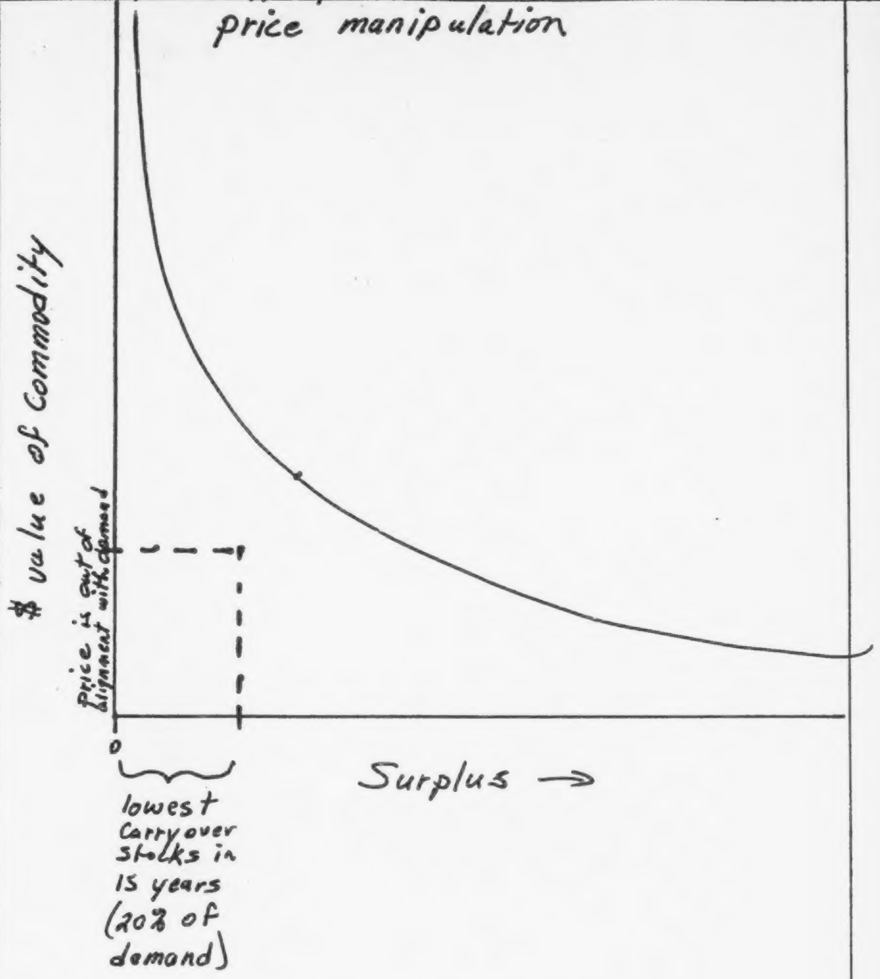
Fundamental Law of Supply and Demand: As the amount of surplus increases the value of the commodity decreases. Or conversely as the amount of surplus decreases the value of the commodity increases.

*Surplus are those amounts over and above the demand or use of any commodity. It is also a direct corollary of caryover stocks in a marketing year.

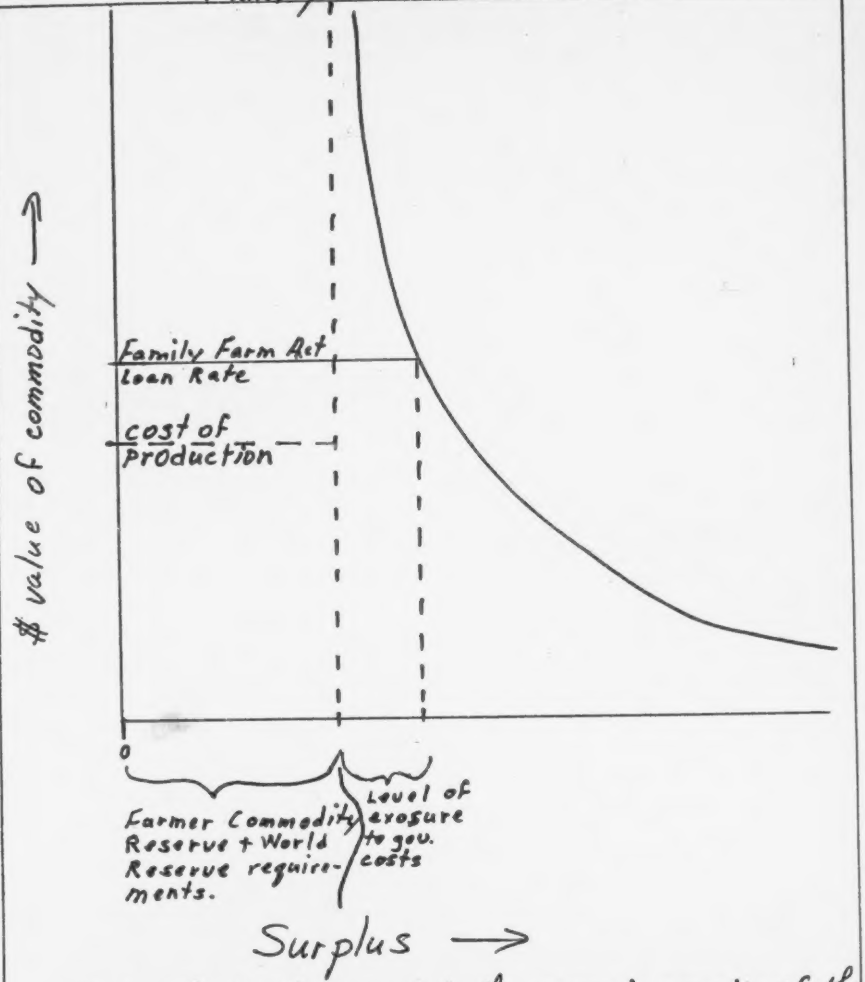


ideally the relationship between available surplus and $ value of the commodity would both provide for the food security of the nation and the economic security of the farmer - where cost of production include all variable and input costs as well as capital maintenance and cost of living.

1990 Current State of price manipulation



Family Farm Act



Under the Family Farm Act the economic security of the Farmer is gaurenteed by the loan rate and the food security of the nation is maintained by both the sealed reserves and the rebuilding of the numbers of small farms and the number of farmers. The level of exposure of government costs is held down by mandatory compliance.

TESTIMONY SUBMITTED BY TERRY JACOBSON, NORTHERN PLAINS SUSTAINABLE AGRICULTURE SOCIETY TO THE SUBCOMMITTEE ON WHEAT, SOYBEANS, AND FEED GRAINS, FEBRUARY 9, 1990.

On behalf of the Northern Plains Sustainable Agriculture Society, I would like to express my appreciation for the opportunity to give testimony before this field hearing on the 1990 Farm Bill.

First of all, I would like to say that the 1985 Food and Security Act has not worked well for farmers. Some of the primary reasons for this are

1. that the base acreage allotments are not equitable.
2. the program is very rigid, not providing farmers very much planting flexibility.
3. it has served grain traders better than farmers through the PIK program and the export enhancement program, with few of the benefits from these expensive programs reaching the producers.
4. proven yeilds have lead to distorted supports for some growers over others and greatly accentuated heavy use of chemicals and fertilizers.
5. the attempt at market-clearing prices through low loan rates has not succeeded very well in clearing the surpluses. The drought of the last two years has done more to reduce grain stocks than the farm bill. However, low loan rates and more slowly declining target prices has created huge budget exposure and inadequate price support for farmers.

With these failures of the 1985 Farm Bill, we saw many farmers in financial trouble even before the drought. The fact that this bill was not serving farmers well has made all of us more vulnerable to the effects of the lack of rain. Regardless of the manipulated statistical reports that the Agriculture Departmnet is using to try to prove that farmers are better off this year than last, I know differently. I have yet to talk with one farmer in North Dakota who says he is better off this year than last year. We are very close to a depression in rural America. Farmers are scrambling to even find the money to pay back advance deficiency payments that were used up paying production costs which the disaster payments and Federal Crop Insurance didn't fully cover. This past year has been the hardest one for me personally since I began farming. The drought, low commodity prices, and a minimal drought program have combined to provide me less income than I need to meet all of my payments for only the second time since I started farming in 1975. These are hard times for all farmers.

The problems with the 1985 Farm Bill that I mentioned earlier, affect most farmers, but they hit those of us who use sustainable agriculture practices particularly hard. We tend to have significantly lower program crop bases because we employ diverse crop rotations to meet the important management needs that are solved with crop rotations. These include soil structure building, insect and disease control, effective nutrient recycling, and weed control. Compound this with the way proven yeilds lead to much higher support of chemically intensive farms over more sustainable ones and you see that sustainable agriculture has many disincentives in the 1985 Farm Bill.

Farmers recognize the dangers of excessive debt; we have studied that problem all too intimately. We are appalled by the federal debt and understand the government's limited ability to help agriculture. However, we believe the government can do much to help put agriculture on a more sound base by designing the right type of commodity program, and yet keep government costs down.

A key element of such a program is to target farm program benefits to family farms. Such targeting should actually consist of a higher target price on a limited number of bushels which would represent the first basic units of production rather than all the production. Since a limited number of bushels would be eligible for target price support, a higher support price could be paid. Such a proposal would reduce the tendency for farm program benefits to encourage farms to continually try to expand and enlarge. Commodity grain raised over the limited number of bushels could be sold on the open market or stored as a cushion against a drought the following year. To further decrease federal exposure, we would call for a higher loan rate on the same limited basic units to which the target price is applied. We would further cap the total payments a farm was eligible for at $50,000 per commodity and $100,000 per farmer. A farm couple should only be eligible for a total of $100,000. The target price should be set at a figure above cost of production. It is wrong to ask farmers to be compensated for their grain at prices lower than it costs to produce that grain.

A second key is flexibility for farmers. I am uneasy using this term because it has been used for so many widely varying proposals from planting alternatives to a version of decoupling. Conventional and sustainable farmers alike need to be able to select crop rotations that work for their farms. This has been very difficult under the 1985 Farm Bill. Growers who opt for a good diverse crop rotation lose base and government payments. To rectify this we would call for a return to a Normal Crop Acreage (NCA) that would be the amount of land on a farm that was eligible for program benefits. We believe this should be a percentage of the tillable acres of a farm that can be farmed without excaessive erosion. We would recommend some range between 66% and 80% of that qualifying land make up the NCA. This percentage would be equal for all farms. Farmers could have flexibility of program crops raised within these NCA acres. NCA acres could not be gained or lost unless the farm suffered from adverse levels of soil erosion. Crop bases should be in terms of bushels not acres. This would simplify the program and increase the fairness to all farmers in the program.

Such a program would do away with assigned base acres and proven yeilds, both of which skew farm benefits to certain individuals. Simplification would benefit both farmers and government. Each producer would have the same level of price protection, though some may not farm enough to be eligible for the whole amount.

To reduce the possibility of abuse of the NCA flexibility by total monocropping, we would suggest that farmers be limited to no more than 66% of the NCA being planted to any one program crop. This would help to encourage more use of crop rotation.

We would also like to see the target price increased on oats since it is both a feed and a human food and is not being produced in adequate volumes in this country at present. We would also request such crops as rye, millet, sunflowers, flax and buckwheat be made program crops eligible for support. This would help reduce the overemphasis and excessive over-production of the program crops of wheat, corn and barley.

Erosion levels must be further readuced in this country. We suggest that a goal be set of a soil erosion reduction down to T level, the level at which soil is regenerated, by the year 2000. This would give us a decade to get this problem under control. Farmers do care about the land, but we cannot exploit farmers by paying inadequate prices for crops and expect them to adequately protect the land. While adequate farm income doesn't necessarily guarantee good farm stewardship, low prices that exploit farmers almost ensures exploitation of the land.

Paper Prepared for the U.S. House of Representatives
Subcommittee on Wheat, Soybeans, and Feedgrains on
Issues Relating to the 1990 Farm Bill
Public Field Hearing, Fargo, North Dakota, February 9, 1990[1]

The role of agricultural economists at a Land Grant University is to analyze farm program proposals and present the likely consequences of alternative programs. It is the role of farm organizations, farm commodity groups, and other organizations to take political positions on farm program proposals.

North Dakota's Dependence on Agriculture and Farm Policies

North Dakota is one of the most agricultural states in the nation. Crop and livestock production accounted for over 40 percent of the state's economic base in 1987.[a/] The state's agriculture is heavily dependent on farm commodity programs. In 1987, 84 percent of cropland acres harvested (excluding forage crops) was comprised of wheat, feed grains, and soybeans.[b/] Another 7 percent was sunflower, an oil crop but not a program crop. In 1987, the state's farmers received $719.8 million in government payments which was 23.8 percent of gross farm income.

North Dakota Farmers' Opinions on Farm Policies

A survey of North Dakota farmers was conducted in February 1989 to determine their views on farm policy issues.[c/] The survey was conducted by the extension service and agricultural experiment station at North Dakota State University. A similar survey was conducted in 20 other states by the Land Grant Universities.[d/]

About 41 percent of North Dakota farmers favored keeping the present type of program. Eighteen percent favored a mandatory supply management program, 15 percent would separate government payments from production requirements and 22 percent would gradually eliminate commodity programs. If target prices are part of future programs, 67 percent favored raising target prices to match the rate of inflation.

In response to a question on acreage bases, 57 percent favored a total crop acreage base for each farm then allowing any crop to be grown. Thirty-six percent would keep the specific crop acreage bases.

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[1] Prepared by Norbert Dorow, Economist, North Dakota State University Extension Service, and reviewed by Roger Johnson, William Wilson, Won Koo, and Thor Hertsgaard, Agricultural Economists, Department of Agricultural Economics, North Dakota State University.

Fifty-six percent favored some form of farmer owned reserve. There was no consensus on the size of the Conservation Reserve Program, but only 22 percent would eliminate the program. Over half the respondents favored keeping the present type of federal crop insurance program, and 21 percent favored requiring farmers to buy crop insurance to be eligible for government program benefits.

On trade issues, 69 percent would continue the export enhancement program (EEP) and nearly three-fourths of the respondents favored negotiation to reduce trade barriers.

The 1985 Farm Bill

The 1985 Farm Bill was enacted at a time of a farm economic recession, largely due to national fiscal-monetary policies, high interest rates, and a major loss of farm exports due to the high value of the dollar in foreign trade, our high loan rates and an economic recession in developing countries. The 1985 farm bill provided for lower loan rates and the Export Enhancement Program (EEP) to attempt to recover our share of the export market. The target prices with deficiency payments were to protect farmers' income. Under the farm bill, exports expanded and farm income improved sharply but at a high cost to the federal government.

Wheat prices have risen sharply in the 1988/89 and 1989/90 market years in response to public policies and to drought. Under the farm program, wheat producers in the program had a 22.5% set-aside in 1986 and a 27.5% set-aside in 1987 and 1988. About 8.4 million acres of wheat base were in the CRP before the last sign-up. The droughts of 1988 and 1989 sharply reduced wheat production, about $2 billion was spent on wheat export subsidies, and there was a 900 million bushel decline in production by our major wheat trade competitors over the last two years.

Proposals to Make Crop Commodity Programs More Flexible

In development of the 1990 farm bill, there are several proposals to make crop commodity programs more flexible. The provisions of the 1985 farm bill encourage producers to plant the program crops to the full extent of their bases to qualify for target price protection.

More flexibility would: (1) allow farmers to respond more to market signals, (2) encourage efficiency as it reduces the influence of subsidies on production decisions, (3) encourage better cropping and conservation practices, and (4) influence farm program spending. If target prices are maintained at present levels, current proposals for more flexibility would reduce farm program expenditures.

More flexibility in crop commodity programs would be more adaptable to the concept of "sustainable agriculture". It would encourage shifting in cropping systems on some farms to allow for more emphasis on resource conservation and environmental compatibility.

Several proposals for more flexibility for farm program crops are being discussed. The triple base option provides for bases for each program crop including some percentage left idle if needed and some percentage permitted for alternative crops. A single base option provides for even more flexibility. The single base option would include all program crops on the farm. Some percentage would be idled if needed to adjust overall crop production and farmers could plant any crops in response to market signals. Target prices and deficiency payments might be based on historical bases.

Consequences of Added Flexibility: The added flexibility would reduce the government's ability to predict supplies to meet domestic and export needs and to manage annual programs to attempt to adjust supplies relative to demand. This would add price variability to some commodities.

If farmers planted more soybeans, sunflowers, or other crops without program bases, the prices of these crops may decline; however, the prices of the program crops may rise if acreages are reduced.

Net farm income may decline. Research by the Congressional Budget Office[1] and by the Research Institute at Iowa State University project that net farm income would decline under the added flexibility, primarily to the extent of the decline of government payments assuming no change in target prices. The overall size of the markets for program crops and alternative crops does not necessarily increase. Possible increases in prices of some program crops may be offset by decline in prices of alternative crops if production increases. However, individual farmers may benefit by shifting to a mix of crops more adaptable to their particular farm including soil types, financial resources or particular local markets for some commodities.

Net farm income could be protected under the flexibility options by increasing the target prices to adjust for the reduction in acreage protected by the target prices.

Adjustment of Target Prices

Deficiency payments determined by target prices account for the major share of government transfers to farmers. Target prices have been gradually reduced under the 1985 farm bill to attempt to reduce government expenditures and to allow time for farmers to adjust to a more "market oriented" farm program.

If the objective is to maintain farm income, target prices could be increased, such as, to reflect the increase in production costs. However, this means added budget exposure.

Target prices could be adjusted among crops. USDA cost studies indicate that the target price for corn is considerably higher relative to the full economic costs of production than the target price for wheat relative to economic production costs. Currently, the target price for oats is apparently low relative to production costs, as oats production is declining and the U.S. is now the world's major importer of oats.

North Dakota is well adapted to oats production. The flexibility options cited would enable this state's farmers to economically produce more oats without suffering loss of deficiency payments. In the absence of flexibility provisions, a higher target price and permission to substitute oats for barley and wheat base may be needed to encourage increased oats production.

Another political objective that has been expressed is to provide more government income support to the intermediate and smaller sized farms. The survey of North Dakota farmers mentioned previously indicated that 56 percent favored the present $50,000 payment limit. However, 69 percent favored a policy to give a higher proportion of price and income supports to farmers with annual gross income under $250,000. The total expenditures for deficiency payments could be distributed to favor these farms. Target prices could be fairly high but limit the allowable base per farm or per farmer. These could be adjusted to meet budget limits. The weakness of this approach is that the very large farms may not participate and thus would not reduce acreages under acreage reduction provisions.

Commodity Reserve Stocks

Commodity reserves allowed the U.S. to meet domestic and export needs when the widespread drought in 1988 greatly reduced grain and oilseed production. Carryover stocks have been largely financed by the government through regular short-term nonrecourse price support loans, the longer term farmer-owned reserves and CCC owned inventories. These reserves have served as mechanisms for removing surpluses from the market and as reserves in times of shortage.

Carrying excessive stocks is costly to the government and is costly to farmers in the form of depressed prices if stocks are freely allowed to enter the market. With depressed prices, the government has the added costs of higher deficiency payments. In 1985 and 1986, wheat carryover stocks were over 1.8 billion bushels and wheat prices were near the loan rate. In 1988 and 1989, carryover stocks were about 600 million at the end of the 1988/89 market year and are projected to be under 500 million bushels at the end of the 1989/90 market year. Wheat prices have been in the range of 170 percent of the loan rate during the last two years.

Commodity programs should aim to maintain an adequate reserve for food security and to maintain the U.S. as a reliable supplier to export markets. Excessive reserves, however, increase costs to the federal government in storage costs.

Policy proposals have included the objectives to maintain a government-held emergency reserve of wheat and feed grains and/or to support a farmer-owned reserve. An alternative that has not received serious consideration would be to provide the private trade with inducements to store buffer stocks.

Grain Quality and Loan Rates

Issues pertaining to grain quality are of growing importance in the US and of particular importance to the Northern growing regions. The reasons for this are: (1) the heterogeneity in the crops produced in this region; and (2) the competitive pressures, particularly from Canada, whereby quality comprises an important element of competitive strategy.

Farm policies in the US influence the quality of grain in a number of perhaps unintended ways. First, due to the fact that target price policies are yield inducing and that for many commodities there is a tradeoff between yield and quality (eg. yield and protein in wheat), then these policies distort normal response to quality price differentials. Second, extended storage especially at the farm level seems to be incompatible with preserving quality. The US is one of the few exporting countries that make use of such extended on-farm storage. A third indirect impact of farm policies on quality is through loan rate premiums and discounts. These are substantially less than premiums and discounts established by the market, are not responsive to market conditions, and generally do not recognize end-use differentials.[2] As an example, the discount for No. 2 wheat in the loan program was $.02/bu., but the market discount could easily be up to $.10/bu. for damage (4%) alone. The effect of this policy is that the loan becomes the market for poorer quality grains. In addition, premiums and discounts which are normally determined very efficiently through the market become distorted and incorrect signals are sent to producers.

Many of these issues are now beginning to surface at the national policy level. Past policy debates in the US have generally been on fairly mechanical topics such as dockage rounding, measuring protein on a constant moisture basis etc. However, in the future the fundamental question which must be addressed is the extent that farm programs should be used to provide incentive for improving the quality of grain. For perspective, every other significant grain exporting country uses farm policies as the primary mechanism to solve problems related to the quality of grain. In the US we have been more dependent on market determined incentives which in general have not been as great as the administered prices in competitor countries. Given the competitive environment in which market prices and premiums and discounts are determined in this country, and in which our grain handling industry operates, there is little further improvement which can be made in the quality of grain without removing the distortions caused by farm programs, or creating incentives within the program which ultimately would be transmitted throughout the grain marketing system.[6/]

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[2] However, at one time a loan rate premium and discount schedule existed for sedimentation values in wheat as well as varieties.

Trade Policy

The official U.S. position in the GATT negotiations is to move toward freer trade in farm commodities.

The U.S. dominates world trade in coarse grains or feed grains. In 1988 our exports were about 62 percent of total coarse grains traded in the world. Except for some barley exports under the Export Enhancement Program (EEP), the feed grains were exported largely under free trade without subsidy. The European Community (EC) has exported corn with export subsidy.

U.S. soybean exports have declined from over 900 million bushels in the early 1980's to 536 million bushels in 1988-89, the drought year, and increased some to about 575 million bushels in 1989-90. The relatively high target price for corn tends to discourage expansion of soybean production to meet export needs. Soybeans have moved into the export market without subsidy.

The wheat trade situation is different, primarily due to the large wheat exports from the EC which are highly subsidized. The EC is now the second largest wheat exporter with about 20 percent of world wheat trade.

The EC shifted from the position of a major net importer of grains in the 1970's to being a major exporter in the 1980's, particularly wheat. Wheat exports from the EC have increased by 500 percent since the late 1970's.

The EEP was included in the 1985 farm bill aimed primarily at allowing the U.S. to be competitive with the subsidized wheat exports from the EC. In 1988, 65 percent of U.S. wheat exports were sold under EEP subsidies.

Research has indicated that 20 percent of the increase in wheat exports the last two years has been due to EEP.[1] The EEP allows for a two price system in the export market--the current price to Japan and other developed countries and a subsidized price to USSR, China, and some developing countries. The EEP tends to create a price war that has depressed world trading prices. The EEP is assumed to be effective as a negotiating tool in GATT. The U.S. needs to continue some type of aggressive export policy to counter the EC export subsidy policy for grains.

If trade agreements are achieved under GATT to reduce export subsidies, the EC and the U.S. may phase down the use of export subsidies.

By location and distance from markets, North Dakota has a comparative disadvantage to surrounding states in marketing grains and oilseeds. Under completely free trade, this disadvantage may be amplified. North Dakota farmers will continue to need an economic safety net under farm programs.

Summary

North Dakota is an agricultural state with wheat, feed grains, and oilseeds as its major commodities. Based on a survey, North Dakota farmers generally prefer the present type of farm program with modifications for more flexibility and targeting to intermediate and smaller farms but without loss of target price protection.

Current proposals for the 1990 farm bill include more flexibility for program crops; however, these proposals in their present form would mean some decline in net farm income with the reduction in government payments.

Target prices could be adjusted to meet political and economic objectives. The level and base of target prices affects farmers' income and government costs. Target prices could be adjusted among commodities to encourage adjustments in production. Target prices and deficiency payments could be allocated more to the intermediate and smaller size farm if the political objective is to maintain these farms.

Some type of a commodity reserve program is needed to provide domestic food security and maintain export markets.

Our trade policy may need to include the EEP and other trade promotion programs in the near term to regain and maintain our share of the export market and capture maximum revenue from the market, particularly for wheat.

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STATEMENT OF NORTH DAKOTA GOVERNOR
GEORGE A. SINNER
BEFORE THE WHEAT, SOYBEANS AND FEEDGRAINS SUBCOMMITTEE
U.S. HOUSE OF REPRESENTATIVES
FARGO, NORTH DAKOTA
FEBRUARY 9, 1990

The year 1990 marks a milestone for the people of North Dakota. It is this year we embark on our second century of statehood. 1990 also signifies the end of an economically and climatically tumultuous decade -- particularly for the farmers of our state.

The decade of the 1980s brought with it a series of peaks and valleys for producers. We have witnessed dramatic swings in commodity prices; the highest real interest rates in U.S. history; a bloated dollar; lost markets; huge reserves; declining land values; devastating drought and sudden loss of reserves; strangely continuing depressed markets; and through it all, a catastrophic decline in rural economies.

It has been tough for all involved, but North Dakota farmers have endured troublesome times before. I am drawn to a passage an endeared leader of this state -- Bill Langer -- presented before the 25th State Legislative Assembly some 50 years ago:

> Regardless of adverse conditions, our people have remained and have struggled along. We all know about the wonderful resources this state possesses in climate, fertility of soil, in mines and in minerals and in the integrity of our people. All we need are fairly normal conditions, such as this state has had in days past, and a helping hand, to again bring conditions of progress and prosperity to us.

Governor Langer went on to clarify that the "helping hand" he referred to was the federal government. Through proper coordination with the federal government, the Governor knew North Dakota farmers, and indeed these across the country, could thrive and endure as a cornerstone of American life and prosperity.

Today, a half century later, Governor Langer's message still holds true. In this time of devastatingly irregular weather conditions and intense global competition, the federal government must not lessen its commitment to the American farmer. Instead, it needs to restrengthen its agricultural policy. Quite clearly, the world's governments must be certain their people have secure food supplies. That means reserves hopefully shared worldwide. It means some level of domestic production.

Obviously, these two necessities obviate a reliance on free market prices -- because they, in and of themselves, change the whole market dynamic. Reserves and protected domestic production become essential components in a world whose history is filled with years of plenty and lean years. Hunger, even revolution, follow in societies deprived of life essentials. The loss of reliable farm food providers threatens capability and commitment to ample food. With that in mind, let's look at 1990 Farm Bill needs.

TIERED SUPPORT PROGRAM

In these times of budget austerity, target prices have been reduced over the last five years. Waiting for market recovery, even in the face of extremely low reserves, may be a zero sum game. Expressed concern about rural development has a hollow ring -- when farm families are consistently and tragically forced from the land. While target prices and Commodity Credit Corporation loans have been reduced each year, cost of production has continued to increase. Farmers are one of the largest consumers of farm implements, services and products that continue to rise in price. Target price or loan price must be raised -- or a combination of the two. And inconsistencies in devising target prices should be abrogated. Certainly basing malting barley target prices on feed value doesn't work at all if we want to maintain high quality supplies for malsters.

I know that one alternative has been or will be mentioned here today: re-tailoring the farm program to target income protection to a base volume of production per actual farm family. Commodities produced beyond that base would be sold at market prices, allowing farmers to respond to market demands.

This approach would not only restore the government's commitment to the family farm, it would also prove cost-efficient for the federal government. Properly done, it can also in turn encourage farm efficiency and cooperation between farmers. Rather than forcing savings from reduced target prices, cost-reduction could be achieved through a re-targeting of price supports.

OILSEEDS

The 1990 Farm Bill should also reconsider the government's commitment to oilseed producers. While global demand for vegetable oil and oilseed meal has been increasing at a rate more than double that of wheat and coarse grain consumption, oilseed production in the United States has not responded. In fact, since the 1981 Farm Bill, our combined oilseed production -- of sunflower, soybean and flax -- has declined by 15 million acres.

We need to provide planting flexibility to producers so they can respond to these market demands. And in so doing, we need to treat oilseeds crops equally to other crops in terms of price support. Studies indicate that greater planting flexibility could increase farm net revenues by $1-2 billion; and that the proper rotation of oilseeds crops would address a number of environmental concerns.

FEDERAL CROP INSURANCE

The Administration has proposed zero funding for the Federal Crop Insurance program for Fiscal Year 1991. In a state like North Dakota, which has consistently been a national leader in FCI enrollment, abolishing the program could induce staggering blows, especially if disaster assistance programs do not treat all crops equally.

We need an insurance program. But one that works. Until 1989, less than 30 percent of acres eligible nationally were enrolled in the program. One of the reasons for higher enrollment in 1989 is that farmers suffering losses in excess of 65 percent in 1988 were required to enroll in the 1989 crop insurance program. But the fact remains that many farmers do not purchase federal crop because the coverage available isn't adequate to cover the investment made; costs are too high; record-keeping is too complex; they don't feel the system accurately reflects yield histories and crop market values; or their speciality crops aren't insurable.

However the insurance program is provided, these obstacles must be addressed. Coverage must warrant investment. Speciality crops, like buckwheat and canola, must be included to encourage more diversity.

CONSERVATION

I am concerned about the direction taken by some of the conservation provisions of the 1985 Food Security Act. Some extreme regulations, like the swampbuster and sodbuster titles, have set an incredibly negative tone. Many farmers view these provisions as an affront by the federal government and environmental community, especially when suggestions like felony charges for violations are floated around.

There is a better way of handling the conservation title. And I'm encouraged to know that Secretary Yeutter touched on this during his presentation of the Administration's Farm Bill proposals this week. Positive incentives for conservation compliance and programs should be provided to farmers -- not negative ones. A positive approach would go a long way in alleviating the resentment farmers justifiably feel right now.

As a retiring 33-year veteran of the Soil Conservation Service in North Dakota eloquently stated at his recent retirement party: When moving from a voluntary conservation program to a mandatory program, the federal government forgot that it was dealing with the farmers and ranchers of this country -- the people who have done a great deal to conserve our environment, while they made the U.S. population the best and cheapest fed in the world. He went on to say that of his 33 years with the Service, he only enjoyed the first 30. That leaves the three years since passage of the 1985 Food Security Act. He believes this Act disastrously set back farmer/SCS relations.

I agree with him. And I think the 1990 Farm Bill should promote the use of positive conservation incentives.

One positive approach to swampbuster being considered in Washington at this time clearly defines those wetlands falling under the auspices of swampbuster. Any land which produced an agricultural commodity or was considered planted six years between 1975 and 1985 would be considered a prior converted wetland and exempt from swampbuster. An approach such as this could go a long way in mending poor relations and clarifying the law.

I'm also concerned about the effects of the Conservation Reserve Program. While CRP has allowed some producers to stay on the land and has taken some highly erodible lands out of production, I believe it has also had harmful social and economic effects in some regions of North Dakota and the country. Before any more land is enrolled in the program, I believe a serious reexamination of the eligibility criteria, as well as a prudent review of the program's effect on rural areas, is needed. Then, if further enrollment periods were still deemed necessary, I would recommend that stringent eligiblity criteria be enforced, to ensure that only well-defined highly erodible acres and "true" wetlands be enrolled. To qualify, "true" wetlands would have to pass the same test as the one I mentioned earlier, applying to swampbuster. In those eastern states that have long since abandoned their wetlands, a broader definition could perhaps be justified.

CONCLUSION

The 1990 Farm Bill must deal with a multitude of weighty issues. And with so many remarkable changes taking placing worldwide, these issues could easily be overshadowed in the eyes of some in Washington.

But it is imperative that the federal government not forget its commitment to the American farmer. Our GATT negotiations are certainly a factor in assuring global support for needed reserves and for recognizing nations' needs for food security, but a domestic food and farm policy remains extremely critical. Farmers need the right kind of "helping hand" more than ever. And the government must not overlook the importance of a strong agricultural community to national prosperity and security either. In terms of both international and domestic significance, I believe President John F. Kennedy summed up American agriculture best, when he said:

> American agricultural abundance can be forged into both a significant instrument of foreign policy and a weapon against domestic hardship and hunger.

All of us need to keep this message in mind as work on the 1990 Farm Bill proceeds.

TESTIMONY

OF

Owen Gustafson

Mr. Chairman,

Fair Farm Policy is pleased to have this opportunity to present its views on the issues relating to the formulation of the 1990 Farm Bill.

Thank you Mr. Chairman and Members of the Committee for holding this hearing in the heartland of America and allowing us to express our concerns.

Fair Farm Policy is a group of Corn, Wheat, and Soybean farmers who are concerned about the destruction to farmers and farm families that is caused because of the inequities between commodity programs. Our particular concern is the unfair advantage that sugar producers have because of a generous government program. The current U.S. Sugar program is creating a financial elite among U.S. farmers by guarantying sugar producers nearly 10 times the net profits that corn , soybean , and wheat producers are getting under the 1985 farm bill.

Since 1985 Corn and Wheat targets and loan rates have been going down and acreage bases have been under strict control. Producers of these commodities have not been allowed to expand their acreage and participate in the farm program. During that same period of time Sugar has enjoyed a guaranteed price, no production controls, no conservation requirements and no set aside requirements. Sugar producers have used this preferential treatment to expand at the expense of the rest of agriculture. Using this economic muscle, sugar producers are running up the price of land and rent, thereby increasing the cost of production and decreasing the net profits of non sugar growers.

Sugar producers have used this advantage to expand at an alarming rate. In Minnesota alone sugar beet acreage has expanded from 278,000 acres in 1985 to 342,000 acres in 1989, a 23 percent increase. This expansion has a multiplier effect. For every acre of sugar beets grown the producer needs an additional four to five acres to maintain an acceptable rotation. In effect, a twenty percent acreage expansion is equivalent to a eighty to one hundred percent expansion in terms of land need.

The net result is that grain farmers are not only unable to expand, but they are losing land and going out of business because of the inequities in the current farm bill.

Fair Farm Policy supports a farm bill that will allow producers of different commodities to compete on an equal basis. This can be done in one of two ways, either we can bring the price of corn, wheat, and soybeans up to levels that will allow these producers to compete or we can bring the price of sugar back in line with other commodities. In order to get net profits per acre at an equal level with sugar, corn would need to be priced at $4.50 to $5.00, wheat at $8.50 to $9.00, and soybeans at $13.00 to $14.00 per bushel. It is unreasonable to expect these price levels for these commodities in the 1990 farm bill, therefore we think the reasonable solution to this problem is to roll back the loan rate on sugar to twelve cents and institute acreage controls similar to those in use for corn and wheat. This action will return competitiveness between commodities and still protect the domestic sugar industry.

In closing, Mr. Chairman, we think it is unfortunate that the 1985 farm bill has created the inequity that exists between sugar and other commodities. It is our hope that the 1990 farm bill will address these problems and return a fair and competitive environment to all of agriculture.
Thank You,

Owen Gustafson

February 9, 1990

The Honorable Dan Gillman, Tim Johnson, Byron Dorgan
& Members of the Agriculture Committee;

I'm Walt Haberman from LaMoure, North Dakota and have farmed for 40 years. My wife and I operate about 1000 acres and have a small herd of Angus cattle. We have had some financial problems in the last 10 years, so I looked for a job off of the farm. I worked for FCIC for a couple of years and have worked for private insurance companies since 1981 (mostly with MPCI).

My son also farms some on his own and he and his wife also have off farms jobs to support their farming habit, which I think is a sad situation.

I would like to take just a few minutes of your time today to talk about prices and MPCI.

Prices are something that have gotten completely out of proportion with the rest of the economy. We have not had a new vehicle or tractor on our farm in the last 20 years. The last new pick-up we had cost 3 head of cattle and my old pick-up. Today it would take at least 15 head of cattle on what we call a high cattle market. In the 60's we sold wheat for $1.50 a bushel and gas was 19¢. Enough said, we just priced ourselves out of farming, probably with government help.

Crop insurance is a big concern, we can insure anything we have on our farm for 100% value if we want to pay the premium, except our crop.

I testified at the commission for the improvement of crop insurance in Fargo, last summer and there were a lot of good recommendations made, but they need to be put into force. I think we need more input from farmers, insurance companies and FCIC into this also.

I work with a MPCI insurance company and it bothers me when I hear the private agents and companies are not doing their jobs and are over paying losses. I could show you a lot of over payment and errors of FCIC which we never hear about.

If we don't simplify the program, reduce compliance (which is where a lot of the cost comes from) and improve the program we might as well scrap it. The if you go to a disaster program it will cost more and not give the help we need. There is no way to take care of small disasters without having a crop isurance program.

Some of the things I see that can improve crop insurance are:

1. Increase yields to ASCS yields and still use APH for farmers who want to prove yields.

2. Raise levels to 100% of APH.

3. Possibly eliminate units if production is over 125% of guarantee.

4. Possibly go to a dollar policy instead of bushels with a flat percent per $1000 coverage.

5. Eliminate conflicts and confusion in acreage reporting with ASCS.

   A) One of my pet peaves, a farmer has to insure 100% of his wheat if he has wheat to insure. He has to report his acres to crop insurance on 6/30 and ASCS on 7/15. He leaves off a 30.0 acre field (not intentionally) which we will not cover. The procedure to correct this is: farmer appeals to company-company turns it down-farmers appeals to FCIC-FCIC turns it down. Farmer is mad-lost crop production from that field. Cost agent time and money-cost company time and money-cost FCIC time and money-cost farmer time and money. When all we had to do was to have him bring his 578 ASCS acreage report to agent with all his acres. This would save the companies appeals committee and FCIC appeals committee piles of money.

6. Eliminate loop holes, compliance and paperwork in the program.

7. Keep private industries in crop insurance and give them some input into program. They have had years of experience in the hail business.

8. Use realistic market prices not 15¢ Pinto Beans and 40¢ Dark Red Kidney Beans.

9. Try to keep cost in line.

10. No disaster program, period.

Thank you, are there any questions?

Walt Haberman

Walt Haberman
RR 1, Box 132
LaMoure, ND 58458
(701) 883-4205

WHEAT, SOYBEAN, AND FEED GRAIN
HEARING
1990 FARM BILL
FEBRUARY 9, 1990

Oral and written testimony by
Gloria Diede, North Dakota President
Women Involved in Farm Economics

Thank you, Mr. Chairman, and Committee Members.

I am Gloria Diede, North Dakota President of Women Involved in Farm Economics (WIFE). I farm southwest of Hebron producing wheat, feed grains, and participating in the Conservation Reserve.

WIFE is a grassroots organization committed to improving profits in production agrriculture through education, communication, legislation and cooperation. Improving profits on farms and ranches is essential for rural and urban populations to improve their standard of living.

I am pleased for the privilege to present to you, on behalf of WIFE, our position on the farm commodities of wheat and corn, Federal Crop Insurance and the Farm Spouse Fairness and Equity Act of 1989.

FARM PROGRAM COMMODITIES

Problems keep arising concerning farm program commodities and we urge you to support the stand we take on the following:

1. WIFE requests Conservation Reserve Program payments be in cash rather than Commodity Certificates.

2. WIFE opposes any imported grain from being included or participating in any U.S. government marketing and/or agricultural programs.

3. WIFE urges that as long as the Commodity Credit Corporation has a commodity in storage, that commodity should not be imported; if imported that commodity be subject to the same advertising assessments, checkoffs, FDA requirements, and sanitary codes as domestic products.

4. WIFE supports frozen target prices for wheat at the 1989 level for the 1990 crop year.

5. WIFE supports legislation that equalizes storage rates paid on CCC owned grain whether it be stored by farmers or commercial storage operators.

6. WIFE encoruages U.S. grain standards be set to equal or surpass the standards of our worldwide competitors.

7. WIFE requests the USDA accurately report crops held by CCC and that all crops on hand be referred to as INVENTORIES rather than surpluses.

WHEAT

WIFE endorses the spirit of the current Food Security Act in its objective of maintaining an economical and abundant food supply for the American people while providing an adequate income for the producer.

WIFE supports a continued program to ensure producer stability while developing favorable marketing conditions. The target price should be frozen at the 1989 level for the 1990 crop year. The producer cannot survive if production costs exceed income. Deficiency payments should be based on a 6 month average making possible a final payment in December. A 30% advanced deficiency payment should be paid at the time of sign-up. WIFE prefers 100% generic certificates. Commodity specific certificates should not exceed 5% of certificates issued. WIFE opposes a triggered acreage reduction program for wheat.

WIFE advocates a more accurate system for grading grain. A better system for measuring protein levels should be developed.

The United States should vigorously pursue export programs authorized under the Food Security Act of 1985. The Export Enhancement Program should be maintained at current levels.

CORN

WIFE supports maintaining an adequate inventory through a Farmer Owned Reserve.

WIFE supports new and continued research on corn based products and in finding more efficient corn refining techniques.

WIFE supports legislation that encourages disposable plastic products be made degradable by using corn and corn based products.

WIFE promotes the use of ethanol made from corn and supports legislation to extend the federal exemption for ethanol. WIFE has been a leader in promoting ethanol. It is a benefit to the economy, the environment, the consumer, and also the utilization of distiller's grains.

Ethanol has been in the news regarding pumps having as low as 2% oxygen content and as high as 10%. WIFE supports no lower than a 3.1% oxygen content in ethanol.

FEDERAL CROP INSURANCE

Natural dishsters are devastating to producers of food and fiber when prices of commodities are far below production costs. Crop insurance presently does not reflect variation in the amount of risk or ability to handle risk. The present Federal Crop Insurance program is too expensive. The record keeping and paperwork are too complex with the frequent changes in program rates, rules, and policies.

Therefore, WIFE supports Federal Crop Insurance that:

1. is less complex and more easily understood and that benefits producers.

2. will reflect a producer's cost of production (fixed and variable costs).

3. accurately uses a producer's most current yields and

guarantees yields would go no lower than historic county average.

4. may be purchased at affordable premium rates.

5. provides coverage based on units of production (bushels or pounds).

6. does not discriminate against location, farming practices, or number of land units.

7. is voluntary.

8. issues timely payments.

Until Federal Crop Insurance is improved and more beneficial to producers, WIFE supports retention of federal disaster relief programs.

THE FARM SPOUSE FAIRNESS AND EQUITY ACT OF 1989

We request your support for Bill HR 2973, the Farm Spouse Fairness and Equity Act of 1989 that would amend the Food Security Act of 1985. It would provide farm program payment fairness and equity to married couples when both the husband and wife contribute active personal management or labor to the operation of a farm enterprise and for other purposes.

WIFE is not asking every farm wife be given a payment limitation. This is a fairness issue.

A woman married to a farmer who is a working partner in the farm operation and meets the criteria established for other individuals should be given a "person" status and be eligible for program benefits. Women should not be penalized for marrying their partners in work. Women are acquiring land and farm operations after marriage and not being allowed by USDA to keep that land as their separate farm operation. A case has actually happened when a WIFE member had land given to her by her father. Upon his death that land was in her name but ASCS automatically co-mingled it with that of her husband, regardless of her wishes. The farms are 100 miles apart. I could give many similar cases and I ask your support to have this amended bill included in the 1990 Farm Bill so this unfairness will be corrected.

The second part of this bill is a technical change which is needed to correct a problem that has developed with multi-year program contracts such as CRP. If both a father and a son are jointly farming, each one is entitled to a $50,000 payment limitation. Upon the death of the father, the son acquires the land, but the son would not be entitled to a payment in excess of his own limitation and thus be faced with a loss for that farm due to the reduced income. The technical amendment to the 1985 Farm Bill will result in no increased expenditure by the USDA on existing multi-year program contracts. USDA would continue to honor the CRP contract as though the father was alive and eligible for payment. This situation can be corrected by our support of HR 2973.

On behalf of WIFE I wish to thank you for giving me this opportunity to voice our concerns and ideas on these issues.

I would be glad to answer any questions that you might have.

(Attachment follows:)

I

101st CONGRESS
1st Session

H. R. 2973

Amending the Food Security Act of 1985 to provide farm program payment fairness and equity to married couples when both the husband and the wife contribute active personal management or labor to the operation of a farm enterprise, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

July 21, 1989

Mr. Marlenee (for himself, Mr. Morrison of Washington, Mr. Roberts, M
Schuette, Mr. Robert F. Smith, Mrs. Smith of Nebraska, Mr. Esp
Mr. Harris, Mr. Emerson, Mr. Thomas of Georgia, Mr. Roth, M
Jontz, and Mr. Donald E. Lukens) introduced the following bill; whic
was referred to the Committee on Agriculture

A BILL

Amending the Food Security Act of 1985 to provide farm program payment fairness and equity to married couples when both the husband and the wife contribute active personal management or labor to the operation of a farm enterprise, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

"Sec. 101. Short Title.—This Act may be referred to as the Farm Spouse Fairness and Equity Act of 1989.

"Sec. 102. Effective beginning with the 1990 crops, section 1001(5)(B)(iii) of the Food Security Act of 1985 (7

U.S.C. 1308(5)(B)(iii)) is amended by striking out in its entirety all of clause (iii) and inserting in lieu thereof the following:

"(iii) Such regulations shall provide that, with respect to any married couple, the husband and wife shall be considered to be one person, except—

"(I) in the case of a married couple which owns or operates a farming operation otherwise eligible for farm program payments under paragraph (1) of this section, the couple may designate one spouse as the 'primary recipient' for the purpose of receiving such payments and the other spouse shall be considered to be a separate person actively engaged in farming for the purpose of receiving farm program payments not to exceed the per-person limitation amount contained in paragraph (1) of this section provided such other spouse makes a significant contribution (based on the total value of the farming operation) of active personal management of personal labor; or

"(II) in the case of a married couple consisting of spouses who, prior to their marriage, were separately engaged in unrelated farming operations, each spouse shall be treated as a separate person actively engaged in farming with respect to the farming operation brought into the marriage by such spouse so long as such spouse continues to provide a significant contribution of active personal management or labor in relation to the farming operation brought into the marriage, or

"(III) in the case of a married couple wherein, following their marriage, either of the spouses shall become the owner of an unrelated farming operation by way of gift (in anticipation of death or upon disability of the donor), devise, or descent, such spouse shall be treated as a separate person actively engaged in farming with respect to the acquired farming operation so long as such spouse shall provide a significant contribution of active personal management or labor in relation to the farming operation so acquired."

"SEC. 103. Effective beginning with the 1989 crops, the Food Security Act of 1985 is amended by inserting after section 1001C the following new section:

"SEC. 1001D. TREATMENT OF MULTI-YEAR PROGRAM CONTRACT PAYMENTS.

"(a) Notwithstanding any other provision of law, in the event of a transfer of ownership of a farming operation (or an ownership interest in a farming operation) by way of gift (in anticipation of death or upon disability of the donor), devise, or descent, the Secretary of Agiculture shall continue to make to the new owner(s) all payments which may become due and payable by virtue of any multi-year program contract which was in effect at the time of the gift or the death of the prior owner.

"(b) Payments made pursuant to this section shall not exceed the amount to which the previous owner was entitled to receive under the terms of the contract at the time of the gift or the death of the prior owner.

"(c) Payments shall be made pursuant to this section to the new owner(s) of a farming operation (or an ownership interest in a farming operation) without regard to any limitation on farm program payments received by such new owner(s) as in his (or their) capacity as separate persons actively engaged in farming with regard to any other farming operation, including the operation subject to the multi-year program payment contract which is the basis of the section.".

○

Feb. 14, 1990

Joseph A. Muldoon,3
1301 Longworth Bldg.
Washington D.C.
20515

Dear Representitive Dan Glickman:

I am writing this letter in regard to the Farm Bill Sub-committee hearing held last week in Fargo, N.D. Several people testified that they wanted high loan rates for a financial safety net in the new farm bill.

I would like to point out that the two farm bills before the 1985 farm bill operated under the theme of a high loan rate. I would offer that there were very few people in agriculture who were happy with that either. Two billion bushels of wheat on hand in 1986 at the peak did not make for a prosperous agriculture either.

There would be justification then I think for higher target prices supporting agriculture without building up burdensome stock piles in the United States for the whole world again free of charge. Higher target prices adjusted for inflation each year would set a reasonable floor for support income and yet not be any more costly over all to the farm bill than high loan prices.

Thank you.

Sincerely yours,

Michael Kelly

Michael Kelly

UNITED STATES BARLEY STATISTICS

North
Dakota
Barley
Council

PREPARED BY:

NORTH DAKOTA BARLEY COUNCIL
415 - 38TH STREET SOUTHWEST
FARGO, NORTH DAKOTA 58103-1113

TELEPHONE NUMBER:	(701) 281-0714
FAX NUMBER:	(701) 281-9002
TELEX NUMBER:	296021 ND AG DPT BMRK

PREPARED:

FEBRUARY 6, 1990

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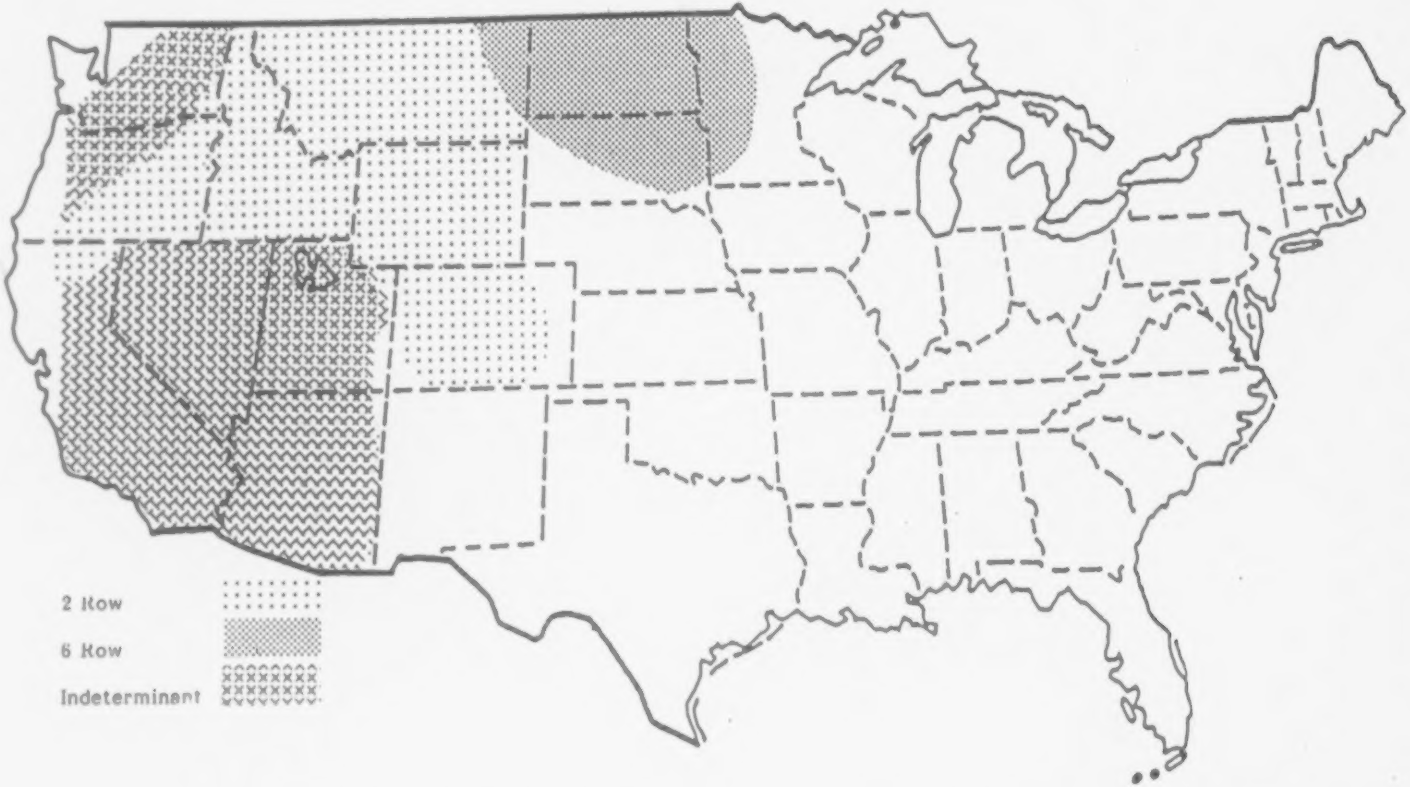
Fig I. Major barley producing regions of the United States delineated as to predominant types grown in a particular area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U.S. BARLEY SUPPLY, DISAPPEARANCE, AND ENDING STOCKS, MARKETING YEARS 1980/81 THROUGH 1989/90[a]

Marketing Year Beginning June 1	SUPPLY				DISAPPEARANCE						
					Domestic Use						
	Beginning Stocks	Production	Imports	Total Supply	Food, Alcohol, & Industrial	Seed	Feed & Residual	Total Domestic Use	Exports	Total Disappearance	Ending Stocks
	- -	million bushels	- -								
1980/81	192	361	10	563	162	13	176	349	77	426	137
1981/82	137	474	10	621	158	16	198	373	100	473	148
1982/83	148	516	11	675	153	17	241	411	47	458	217
1983/84	217	509	7	733	149	20	283	452	92	544	189
1984/85	189	599	10	799	149	22	304	474	77	551	247
1985/86	247	591	9	848	147	21	333	501	22	523	325
1986/87	325	611	7	942	156	18	296	470	137	607	336
1987/88	336	530	14	879	- - - 174 - - -		258	432	126	558	321
1988/89	321	290	12	623	- - - 189 - - -		162	342	85	427	196
1989/90[b]	196	403	15	615	- - - 180 - - -		175	355	100	455	160

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[a] Marketing year begins June 1 and ends May 31.

[b] USDA January 11, 1990 Supply and Demand estimates.

PLANTED ACREAGE OF BARLEY VARIETIES GROWN IN NORTH DAKOTA, 1987, 1988, AND 1989

Variety	Barley Type	1987	1988	1989
		acres		
Robust	Malting	1,028,500	1,002,900	1,306,300
Morex	Malting	644,000	513,200	450,800
Azure	Malting	657,100	570,500	442,400
Bowman	Feed	355,300	320,800	314,500
Busch 1602	Feed	--	--	167,400
Hazen	Feed	116,600	48,600	34,900
Hector	Feed	76,700	52,700	28,000
Larker	Feed	32,700	20,900	20,600
Glenn	Feed	27,700	12,700	6,400
Other		61,400	57,700	28,700

ESTIMATED MALTING BARLEY PRODUCTION IN THE MIDWEST, 1989/90 MARKETING YEAR[a,b]

ITEM	NORTH DAKOTA	MINNESOTA	SOUTH DAKOTA	MIDWEST TOTAL
Percentage of Malting Barley Varieties Planted (Morex, Robust, & Azure)	79	93	66	
1989 Yield (bushels/acre)	37	55	35	
1989 Planted Area (000 acres)	2,800	925	700	4,425
1989 Harvested Area (000 acres)	2,650	800	550	4,000
1989 Production, Total (000,000 bushels)	98.1	44.0	19.3	161.4
Estimated 1989 Production, Malting Quality (000,000 bushels)	51.4	38.2	5.9	95.5

[a] The 1989/90 marketing year begins June 1, 1989 and ends May 31, 1990.

[b] Based on NDSU, Department of Cereal Science & Food Technology crop quality survey.

1989 BARLEY PROGRAM ENROLLMENT FOR MAJOR PRODUCING STATES

Region/State	Total Base Acreage	Enrolled Base Acreage	Set-Aside Acreage ARP	Set-Aside Acreage 0/92	Set-Aside Acreage Total	Percent of Base Enrolled 1989	Percent of Base Enrolled 1988	Percent of Base Enrolled 1987
	acres					percent		
Midwest								
North Dakota	3,427,033	2,852,604	280,781	132,302	413,083	83	89	95
Minnesota	1,047,404	690,265	62,688	9,039	71,727	66	82	88
South Dakota	948,216	618,728	58,680	33,997	92,677	65	79	89
Midwest Total	5,422,653	4,161,597	402,149	175,338	577,487	77	86	93
West								
Montana	2,442,741	1,984,729	189,804	437,426	627,230	81	83	89
Idaho	1,103,777	560,018	48,147	76,369	124,516	51	78	78
Washington	868,105	695,055	63,137	247,566	310,703	80	84	81
Oregon	267,160	141,408	12,619	45,962	58,581	53	65	68
California	522,232	204,826	18,167	67,069	85,236	39	54	48
Colorado	339,717	187,887	17,050	105,507	122,557	55	64	67
Wyoming	107,644	20,402	1,805	6,978	8,783	19	40	48
West Total	5,651,376	3,794,325	350,729	986,877	1,337,606	67	77	79
Ten State Total	11,074,029	7,955,922	798,260	1,395,271	2,193,531	72	81	85
U.S. Total	12,345,617	8,458,756	785,639	1,311,699	2,097,338	69	78	82

U.S. PLANTED ACREAGE, BASE ACREAGE, NET ENROLLED BASE ACREAGE, AND NON-PROGRAM ACREAGE FOR BARLEY, 1984 THROUGH 1989

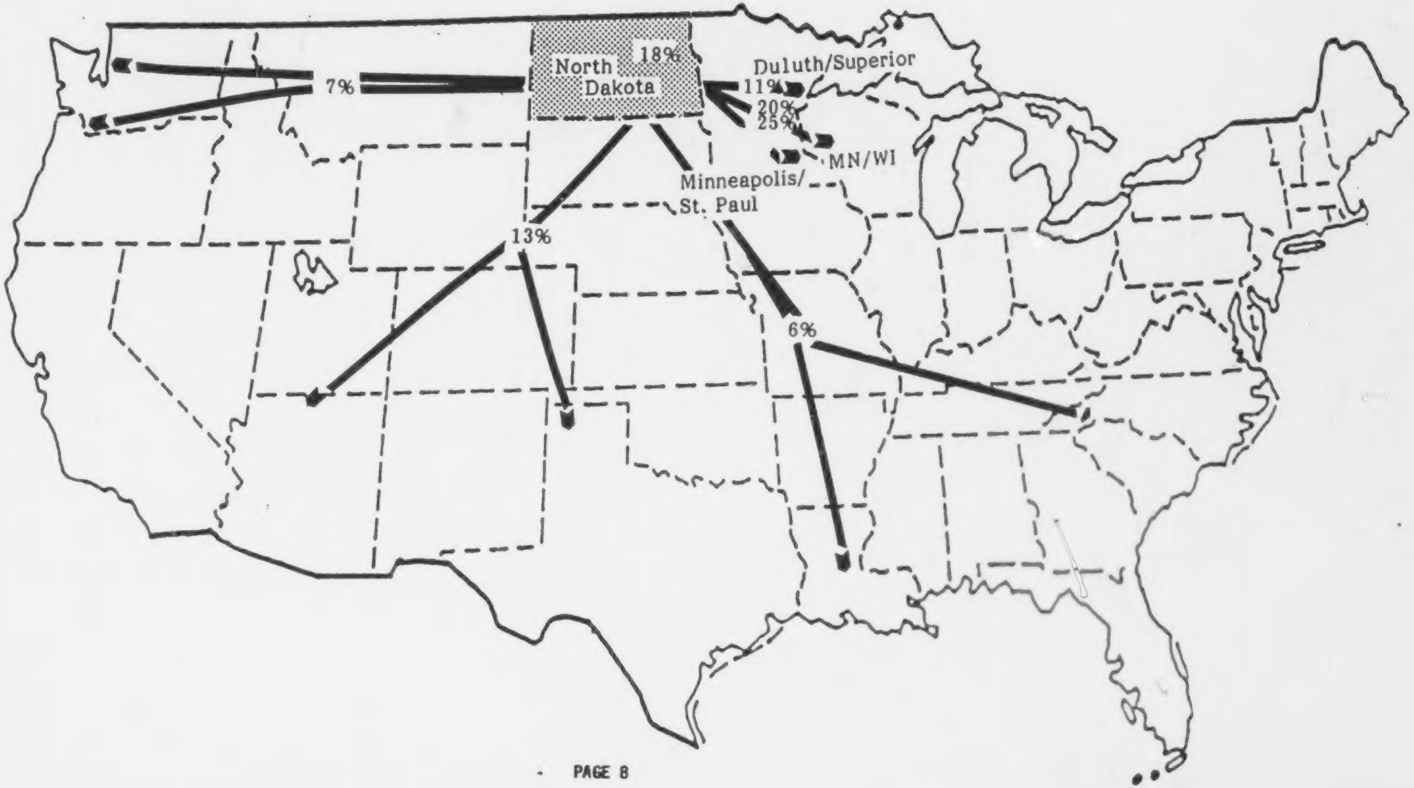
Year	Planted Acreage	Total Base Acreage	Net Enrolled Base Acreage [a]	Non-Program Planted Acreage	Net Enrolled Base Acreage as a Percentage of Planted Acreage
	000 acres	000 acres	000 acres	000 acres	
1984	11,957	11,625	4,870	7,087	41%
1985	13,156	13,161	6,875	6,281	52%
1986	13,059	12,431	7,078	5,981	54%
1987	10,929	12,867	8,032	3,014	73%
1988	9,831	12,615	7,002	2,689	72%
1989	9,175	12,346	6,265	2,910	68%
6-Yr Avg	11,351	12,508	6,682	4,660	59%

[a] Base acreage enrolled in farm program less set-aside, paid land diversion, and 0/50/92.

MALTSTER SPECIFICATIONS AND REGIONAL CROP QUALITY
1988 AND 1989

ITEM	MALSTER SPECIFICATIONS	REGIONAL CROP 1988	REGIONAL CROP 1989
VARIETAL PURITY	97.0% min		
TEST WEIGHT	46.0 lb min	45.3 lb	44.8 lb
PROTEIN	13.5% max	15.1%	15.1%
MOISTURE	13.5% max	10.9%	11.7%
PLUMP	65.0.% min	65.2%	55.6%
THIN	8.0% max	6.6%	9.1%
GERMINATION	95.0% min		
SKINNED/BROKEN KERNELS	10.0% max		

Barley movements from North Dakota to major markets, marketing year 1988/89
Total movement = 91,528,951 Bushels


North Dakota
18%
7%
13%
6%
Duluth/Superior
11%
20%
25%
MN/WI
Minneapolis/
St. Paul

MONTHLY AVERAGE MALTING AND FEED BARLEY PRICES, 1987, 1988 AND 1989

	MINNEAPOLIS MALTING BARLEY			DULUTH FEED BARLEY		
	1987	1988	1989	1987	1988	1989
JANUARY	$1.81	$2.02	$4.14	---	$1.72	$2.24
FEBRUARY	1.91	2.15	4.19	---	1.77	2.33
MARCH	2.01	2.08	4.33	1.64	1.88	2.49
APRIL	2.05	2.11	4.29	1.76	1.94	2.52
MAY	2.12	2.24	3.84	1.86	1.98	2.41
JUNE	2.07	3.61	3.02	1.73	2.41	2.12
JULY	1.93	3.87	3.33	1.59	2.31	2.22
AUGUST	1.73	4.25	3.57	1.60	2.08	2.17
SEPTEMBER	1.98	4.40	3.42	1.76	2.24	2.14
OCTOBER	2.08	4.39	3.48	1.78	2.32	2.16
NOVEMBER	2.05	4.14	3.18	1.82	2.27	2.15
DECEMBER	2.01	3.82	3.19	1.74	2.14	2.23

WEEKLY AVERAGE CARLOAD RECEIPTS AT MINNEAPOLIS, 1987, 1988 AND 1989

MONTH	1987	1988	1989
JANUARY	398	219	244
FEBRUARY	417	279	341
MARCH	408	494	350
APRIL	312	313	387
MAY	358	472	239
JUNE	606	982	370
JULY	698	1,069	380
AUGUST	351	609	665
SEPTEMBER	278	460	540
OCTOBER	256	489	376
NOVEMBER	537	434	313
DECEMBER	356	381	320

MONTHLY AVERAGE CASH PRICES AT MAJOR MARKETS, MARCH 1987
THROUGH DECEMBER 1989

	Minneapolis			Portland	Discount at Mpls	
Month/ Year	No. 2 Corn	No.2 Feed Barley *	No.3 Malt Barley	No.2 Feed Barley	Feed Bar to Corn	Feed Bar to Malt Bar
	dollars per bushel					
1987						
March	1.50	1.64	2.01	2.08	+ .14	- .37
April	1.61	1.76	2.05	2.11	+ .15	- .29
May	1.79	1.86	2.12	2.17	+ .07	- .26
June	1.77	1.73	2.07	2.04	- .04	- .34
July	1.60	1.59	1.93	1.96	- .01	- .34
August	1.44	1.60	1.73	2.04	+ .16	- .13
September	1.50	1.76	1.98	2.04	+ .26	- .22
October	1.58	1.78	2.08	2.11	+ .20	- .30
November	1.72	1.82	2.05	2.13	+ .10	- .23
December	1.67	1.74	2.01	2.16	+ .07	- .27
1988						
January	1.75	1.72	2.02	2.15	- .03	- .30
February	1.82	1.77	2.15	2.14	- .05	- .38
March	1.87	1.88	2.08	2.10	+ .01	- .20
April	1.94	1.94	2.11	2.07	.00	- .17
May	1.98	1.98	2.24	2.14	.00	- .26
June	2.60	2.41	3.61	2.67	- .19	- 1.20
July	2.74	2.31	3.87	3.04	- .43	- 1.56
August	2.67	2.08	4.25	2.72	- .59	- 2.17
September	2.66	2.24	4.40	2.66	- .42	- 2.16
October	2.64	2.32	4.39	2.65	- .32	- 2.07
November	2.49	2.27	4.14	2.77	- .22	- 1.87
December	2.53	2.14	3.82	2.75	- .39	- 1.68
1989						
January	2.51	2.24	4.14	2.75	- .27	- 1.90
February	2.49	2.33	4.19	2.71	- .16	- 1.86
March	2.64	2.49	4.33	2.82	- .15	- 1.84
April	2.64	2.52	4.29	2.84	- .12	- 1.77
May	2.71	2.41	3.84	2.79	- .30	- 1.43
June	2.58	2.12	3.02	2.50	- .46	- .80
July	2.47	2.22	3.33	2.62	- .25	- 1.11
August	2.29	2.17	3.57	2.53	- .12	- 1.40
September	2.28	2.14	3.42	2.51	- .14	- 1.28
October	2.23	2.16	3.48	2.49	- .07	- 1.32
November	2.28	2.15	3.18	2.66	- .13	- 1.03
December	2.20	2.23	3.19	2.75	+ .03	- .96

* Based on Duluth market after February 1987.

BARLEY STOCKS IN MAJOR PRODUCING STATES, AS OF DECEMBER 1, 1989

State	On-farm	Off-farm	Total	December 1, 1988
	000 bushels			
Midwest				
North Dakota	57,000	40,000	97,000	105,000
Minnesota	25,000	32,848	57,848	72,725
South Dakota	13,000	6,936	19,936	21,212
Midwest Total	95,000	79,784	174,784	198,937
West				
Montana	45,000	11,000	56,000	37,739
Idaho	21,000	19,337	40,337	37,587
Washington	5,000	16,449	21,449	24,500
Oregon	3,500	5,119	8,619	8,845
California	1,200	2,575	3,775	6,482
Colorado	2,600	6,090	8,690	13,250
Wyoming	1,730	NA	NA	N/A
West Total	80,030	60,570	140,600	128,403
Ten State Total	175,030	140,354	315,384	327,340
U.S. Total	187,940	165,213	353,153	372,118

WORLD BARLEY S&D TABLE
OCTOBER/SEPTEMBER YEARS 1985/86 - 1989/90
(IN MILLIONS OF METRIC TONS)

	1985/86	1986/87	1987/88	1988/89	1989/90 NOV 9	1989/90 DEC 12
EXPORTS						
CANADA	4.8	6.0	3.5	3.5	4.0	4.0
AUSTRALIA	3.7	2.2	1.6	1.4	1.2	1.2
EC-12	7.3	6.2	7.0	10.0	9.5	9.5
OTHERS	1.9	1.2	1.0	1.4	0.9	0.9
TOTAL NON-U.S.	17.6	15.6	13.2	16.2	15.6	15.6
U.S. 3)	0.8	3.0	2.9	1.7	2.0	2.0
WORLD TOTAL	18.4	18.5	16.1	18.0	17.6	17.6
IMPORTS						
EC-12	0.1	0.1	0.3	0.3	0.4	0.4
USSR	2.9	3.0	2.4	3.2	3.4	3.9
JAPAN	1.5	1.2	1.3	1.3	1.2	1.2
EASTERN EUROPE	3.3	1.3	1.7	2.2	2.0	2.0
SAUDI ARABIA	6.6	9.0	4.8	4.4	4.5	4.5
OTHERS	3.9	4.0	5.6	6.6	6.1	5.6
WORLD TOTAL	18.4	18.5	16.1	18.0	17.6	17.6
PRODUCTION 4)						
CANADA	12.4	14.6	14.0	10.2	12.1	11.7
AUSTRALIA	4.9	3.6	3.5	3.3	3.4	3.4
EC-12	51.5	46.8	46.8	50.5	46.2	46.3
USSR 5)	46.5	53.9	58.4	44.5	49.0	49.0
CHINA	6.2	5.6	6.0	6.3	6.9	6.9
EASTERN EUROPE	16.4	16.9	16.3	16.3	16.6	16.8
OTHERS	27.2	27.7	24.2	29.2	25.9	25.9
TOTAL NON-U.S.	165.1	169.1	169.2	160.3	160.1	159.9
U.S.	12.9	13.3	11.5	6.4	8.8	8.8
WORLD TOTAL	178.0	182.4	180.7	166.6	168.9	168.7
UTILIZATION 6)						
EC-12	41.8	40.5	40.8	40.9	41.4	40.8
USSR 5)	48.6	56.6	60.9	48.2	52.4	52.9
EASTERN EUROPE	18.6	18.9	18.1	18.7	18.5	18.7
OTHERS	52.8	51.8	53.4	54.3	52.4	53.4
TOTAL NON-U.S.	161.8	167.9	173.1	162.1	164.7	165.8
U.S.	10.9	10.3	9.4	7.5	8.1	8.1
WORLD TOTAL	172.7	178.1	182.5	169.7	172.8	173.9
END STOCKS 7)						
TOTAL FOREIGN 8)	22.6	26.7	25.2	24.9	21.5	20.5
U.S.	7.1	7.3	7.0	4.3	3.5	3.5
WORLD TOTAL	29.7	34.0	32.2	29.2	25.0	24.0

UNITED STATES BARLEY EXPORTS, MARKETING YEARS 1978/79 TO 1988/89

Marketing Year	Western Europe	Eastern Europe	Taiwan	Japan	Saudi Arabia	Others
			000 bushels			
1978/79	1,056	7,441	5,374	1,516	a	7,716
1979/80	6,292	2,434	4,731	2,159	a	33,069
1980/81	14,142	7,404	10,894	8,795	a	23,962
1981/82	35,503	5,107	17,109	15,409	1,516	30,970
1982/83	15,496	0	6,687	5,479	0	14,575
1983/84	36,785	5,764	10,261	17,086	1,332	23,621
1984/85	21,329	0	11,886	14,408	1,929	22,621
1985/86	0	2,756	3,399	6,476	18,831	6,108
1986/87	4,914	7,624	3,537	1,562	118,268	4,777
1987/88	1,010	11,620	0	0	47,537	59,386
1988/89	2,480	5,603	0	4,960	37,432	18,923

a Included in "Others".

PLANTED ACREAGE OF BARLEY, MAJOR PRODUCING STATES, 1981-1989

Region/State	1981	1982	1983	1984	1985	1986	1987	1988	1989
	- - - - - -	- - - - - -	- - - - - -	- - - - - -	000 acres	- - - - - -	- - - - - -	- - - - - -	- - - - - -
Midwestern States									
North Dakota	2,150	2,150	2,600	2,950	3,500	3,600	3,000	2,800	2,800
Minnesota	1,050	900	1,000	1,050	1,200	1,200	1,200	1,250	925
South Dakota	650	560	580	610	780	930	870	700	700
Midwestern Total	3,850	3,460	4,180	4,610	5,480	5,730	5,070	4,750	4,425
Western States									
Montana	1,400	1,650	1,950	2,320	2,350	2,400	2,300	1,800	1,700
Idaho	1,110	1,150	1,050	1,370	1,280	1,140	840	880	870
Washington	800	850	880	1,000	1,200	920	660	580	500
Oregon	220	260	280	290	360	375	220	225	200
California	740	700	560	540	500	470	400	360	320
Colorado	284	225	232	350	360	390	230	185	190
Wyoming	145	155	160	170	170	168	140	130	110
Western Total	4,699	4,990	5,112	6,040	6,220	5,863	4,790	4,160	3,890
Ten State Total	8,549	8,450	9,292	10,650	11,700	11,593	9,860	8,910	8,315
U.S. Total	9,618	9,549	10,419	11,957	13,156	13,059	10,929	9,831	9,175

HARVESTED ACREAGE OF BARLEY, MAJOR PRODUCTING STATES, 1981-1989

Region/State	1981	1982	1983	1984	1985	1986	1987	1988	1989
	- - - - -	- - - - -	- - - - -	- - - - -	000 acres	- - - - -	- - - - -	- - - - -	- - - - -
Midwestern States									
North Dakota	2,100	1,950	2,520	2,900	3,350	3,450	2,900	2,150	2,650
Minnesota	1,030	880	820	950	1,075	1,000	870	850	800
South Dakota	590	545	550	595	720	855	850	450	550
Midwestern Total	3,720	3,375	3,890	4,445	5,145	5,305	4,620	3,450	4,000
Western States									
Montana	1,320	1,560	1,850	2,110	1,500	2,180	2,100	1,250	1,600
Idaho	1,080	1,110	1,030	1,340	1,240	1,110	820	850	850
Washington	760	810	850	980	1,180	900	645	560	490
Oregon	205	250	270	280	350	365	200	200	180
California	640	620	490	460	420	400	330	280	240
Colorado	270	215	220	325	340	350	220	175	160
Wyoming	134	144	152	160	160	160	130	115	100
Western Total	4,409	4,699	4,862	5,655	5,190	5,465	4,445	3,430	3,620
Ten State Total	8,129	8,074	8,752	10,100	10,335	10,770	9,065	6,880	7,620
U.S. Total	9,038	9,013	9,731	11,231	11,603	12,007	9,957	7,636	8,303

BARLEY YIELDS, MAJOR PRODUCING STATES, 1981-1989

Region/State	1981	1982	1983	1984	1985	1986	1987	1988	1989
	bu/acre								
Midwestern States									
North Dakota	48.0	53.0	45.5	53.0	55.0	51.0	48.0	21.0	37.0
Minnesota	56.0	58.0	53.0	65.0	66.0	55.0	57.0	32.0	55.0
South Dakota	34.0	43.0	42.0	51.0	45.0	42.0	40.0	18.0	35.0
Midwestern Total	48.0	52.7	46.6	55.3	55.9	50.3	48.2	23.3	40.3
Western States									
Montana	43.0	49.0	42.0	28.0	20.0	39.0	45.0	24.0	43.0
Idaho	59.0	69.0	65.0	66.0	58.8	65.0	75.0	60.0	70.0
Washington	58.0	61.0	64.0	65.0	48.0	50.0	55.0	62.0	58.0
Oregon	60.0	62.0	61.0	62.0	55.0	57.0	70.0	74.0	67.0
California	63.0	62.0	60.0	63.0	59.0	59.0	54.0	61.0	56.0
Colorado	62.0	74.0	75.0	62.0	64.0	60.0	64.0	67.0	76.0
Wyoming	67.0	65.0	66.0	65.0	66.0	68.0	70.0	58.0	72.0
Western Total	55.1	59.8	55.8	50.0	45.3	51.0	55.4	48.4	55.7
Ten State Total	51.8	56.0	51.7	52.0	50.6	50.6	51.8	35.8	47.6
U.S. Total	52.4	57.2	52.3	53.4	51.0	50.8	52.4	38.0	48.6

BARLEY PRODUCTION, MAJOR PRODUCTING STATES, 1981-1989

Region/State	1981	1982	1983	1984	1985	1986	1987	1988	1989
	- - - - - - - -	- - - - - - - -	- - - - - - - -	- - - - - - - -	- - - - - - - -	000 bushels	- - - - - - - -	- - - - - - - -	- - - - - - - -
Midwestern States									
North Dakota	100,000	103,350	114,660	153,700	184,250	175,950	139,200	45,150	98,050
Minnesota	57,680	51,040	43,460	61,750	70,950	55,000	49,590	27,200	44,000
South Dakota	20,060	23,435	23,100	30,345	32,400	35,910	34,000	8,100	19,250
Midwestern Total	178,540	177,825	181,220	245,795	287,600	266,860	222,790	80,450	161,300
Western States									
Montana	56,760	76,440	77,700	59,080	30,000	85,020	94,500	30,000	68,800
Idaho	63,720	75,900	66,950	88,440	71,920	72,150	61,500	51,000	59,500
Washington	44,080	49,410	54,400	63,700	56,640	45,000	35,475	34,720	28,420
Oregon	12,300	15,500	16,470	17,360	19,250	20,805	14,000	14,800	12,060
California	40,320	38,440	29,400	28,980	24,780	23,600	17,820	17,080	13,440
Colorado	16,740	15,910	16,500	20,150	21,760	21,000	14,080	11,725	12,160
Wyoming	8,987	9,360	10,032	10,400	10,560	10,880	9,100	6,670	7,200
Western Total	242,898	280,960	271,452	288,110	234,910	278,455	246,475	165,995	201,580
Ten State Total	421,438	458,785	452,672	533,905	522,510	545,315	469,265	246,445	362,880
U.S. Total	473,512	515,935	508,925	599,204	591,383	610,522	521,499	289,994	403,443

Prepared by

Arvid Winkler

My name is Arvid Winkler. I currently farm near Valley City in Barnes County of North Dakota. I am a member of the North Dakota Grain Growers Association, the North Dakota Soybean Growers Association, and the North Dakota Farmers Union. I raise wheat, barley, corn, and oilseeds (currently soybeans) on my farm. I was the Soil Conservation Achievement Winner in 1987 for Barnes County. I am currently serving on the Barnes County Weed Control Board.

Thank you for bringing this hearing to our area.

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Keywords

flexibility
base
rotation
Normal Crop Acreage
Kerrey
Lugar-Leahy
tillable acres
Crop Payment Base
decoupling
target prices
setaside
monoculture
Farm Acreage Base
Oilseed Council of America
equilibrium
respond to markets
environment
Abel, Daft, & Earley
equity
Guaranteed Equity Loan
targeting
alfalfa
barley
Argentina
sustainable
Japan
Australia
CRP
highly erodible
wetlands
swampbuster
Federal Crop Insurance

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I hope and pray that flexibility will eventuaally be defined in such a way that I can plant a variety of crops to achieve the benefits of crop rotation even if some acres of a program crop must be raised on non-subsidized acres.

Normal Crop Acreage appears to provide the most flexibility of the proposals presented thus far.

The newest version I have heard of is from Nebraska. As described in "AGWEEK"
"Under Sen. Bob Kerrey's version of normal crop acres concept, all existing individual program and oilseed crop bases would be combined into a single farm base. Within that base, farmers could plant as much of any program crop they choose. Additionally, they could plant any non-program crop, but would have to sacrifice some program benefits.

However, USDA still would have to set separate acreage reduction requirements for each crop program in order to control supply."1

The Lugar-Leahy Agricultural Competitiveness and Flexibility Act (S 1926) has received more press coverage. It does mention Normal Crop Acres. Soybeans and sunflowers are included. 5 year averages are included in acreage computations.

The Crop Payment Base (CPB) does look like decoupling. Limiting the CPB to a percentage of tillable acres would help. Making payments based on crops actually planted appears to be a more reasonable approach. Adjusting target prices and set aside requirements according to carryover should attract or repel acres into the various program crops.

Decoupling does not set well because it perpetuates the inequities in historical bases.

Soybeans on base provides flexibility for those with plenty of base. It even provides both base and flexibility. It does not provide flexibility for those with inadequate bases.

I raised too many sunflowers at a loss in 1985 and 1986 to get very excited about non-program crops on base unless the flexibility is there to go the other way also.

My current crop mix is wheat, barley, corn, and soybeans. My desired rotation is wheat, barley, wheat, and then soybeans. That rotation avoids monoculture and its associated disease and chemical problems. Please note that under current definitions this rotation would require a 75 % program crop base with the other 25 % in soybeans. I currently have about 70 % of the tillable acres in program crop bases.

A corn / soybean rotation would require a 50 % base. In arid regions, a wheat / fallow rotation would require a 50 % base.

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The current definition of Farm Acreage Base (FAB) includes soybean acreage while excluding other oilseeds which have a large acreage in North Dakota such as sunflowers, safflowers, flax, and canola.

I do not know much about the Oilseed Council of America but I agree with their comments in a recent "AGWEEK" article. I do suspect they want a lot of cheap oilseeds. To maintain acreage equilibrium and respond to markets I need to have oilseed acres pay like program crop acres.

"Oilseed Council of America --- hopes to reform farm programs to eliminate a bias against oilseed crops.

Current lack of flexibility 'provides the greatest rewards to those who use the most chemicals and produce in one of the most environmentally damaging ways'.

A report by Abel, Daft, & Earley, a consulting firm in Alexandria, Va., alludes to a possible solution of returning to 1970's farm programs, when farmers were free to mix their crops as long as they idled a requisite amount of acreage.

The report estimates that about 40 million acres are planted with the same crops year after year due to program incentives.

Loss of business has forced the closing of more than 20 U.S. oilseed crushing plants."2

While I plan to use the 105 percent option in 1990, I do object to the manner which the payment base is effectively reduced at a time when I feel my wheat base is already too small. I also object to not getting credit for the acres I will actually plant.

I agreee with comments by Alan Bergman, North Dakota Farmers Union President.

"Underlying these proposals is the recognition that we need to reform the commodity base system.

We need to develop greater equity among producers so that we do not have the wide disparity of some producers having commodity bases which cover all their acreage, while others have commodity bases that are so small they aren't worth putting in the crop."3

If we must live with crop bases, determining them on the basis of tillable acres in conjunction with the soil maps developed by the Soil Conservation Service would seem more equitable than strctly historical bases.

Some sunflower producers in North Dakota already have low program crop bases and may need more flexibility in the future because of disease, insect, and predator problems that may limit the acreage which can be devoted to sunflowers in the future. After experiencing increasing blackbird problems,

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sclerotinia disease, and more seed weevils requiring chemical applications, I dropped sunflowers entirely in 1989 and planted soybeans on the oilseed acres. In the 1970's I responded to the market and through the 1985 farm bill ended up without flexibility.

The Graduated Equity Loan for soybeans is appealing in that it provides better price support for an oilseed crop and is related to other commodities, namely corn and cotton.

Crop support to a maximum number of bushels at a minimum price might solve some of the planting flexibility problems along with yield and acreage base computations. The targeting proposal of the North Dakota Farmers Union seem to express that concept.

I feel that alfalfa was treated unfairly during Normal Crop Acre (NCA) computations in the implementation of the 1977 farm bill. Either through wording in the bill itself or in regulations determining the list of crops for use computing normally cropped acres, alfalfa got excluded from the list. Based on soil erosion observaions I made in 1975 I dropped corn silage as a feed for a cow / calf operation in favor of alfalfa. That decision based on conservation principles certainly limited my flexibility in later years.

The inclusion of malting barley sales in the computation of average feed barley prices appears to be reducing deficiency payments even to the extent of requiring paybacks.

It is difficult at times to determine whether the problem we have with surplus food is a production problem or a distribution problem. We talk about surpluses and setasides while other parts of the world talk about hunger.

The maintenance of cover crop on setaside acres is a problem of differing magnitudes depending on who is viewing the problem. Many farmers feel that removing the land from production is the purpose so a summerfallow operation will suffice. Conservationists at least want to have a cover crop to keep the soil in place. Wildlife enthusiasts want lots of cover for wildlife. I have tried to maximize the number of setaside acres with permanent cover by using the same acres year after year. I have gotten the distinct impression at times that the ASCS office was frowning on the idea. I have had the notion at times that ASCS stood for Anti-Soil Conservation Service --- at least momentarily.

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From what I read, apparently a farming practice in Argentina includes having a portion of the farm in a grass for several years and then cropping for a period of years followed again by grass. Most soils in our area have been cropped for about 100 years. From experience I can see that areas which have only recently been broken from grass produce better and have better tilth. Some grasses may be necessary in the future for our agriculture to be sustainable.

Part of maintaining conservation requirements and sustainability in wheat production may involve increasing beef exports to Japan so we can pay for all the automobiles, televisions, and VCR's we import.

Australia apparently made a response to market signals according to the comments of John Kerin in "AGWEEK"

"Wheat is good but wool bounced back so much in the wheat and sheep belt that people made a big decision to go into wool because of the 1986 price collapse of wheat."4

The CRP is acceptable for highly erodible acres. I do wish a way could be found to keep the areas in grass after the contract period. I suspect that parcels with low program crop bases are being attracted to CRP more easily while those with high program crop bases are being kept out.

CRP has at least taken land out of production but there is a continuing litany of problems with weed control of both annual and perennial noxious weeds on a large number of contracts.

Under the current rules highly erodible land is not a problem in my operation. It wouldn't take too much shifting of the rules to create some problems. I haven't had any problems with the local soil conservation personnel. Some of the decisions from the State level appear absolutely silly. Maybe the problem is in fitting broad classification standards to specific cases. At times it appears the program is being administered at higher levels by people lacking the technical background in soils.

From what I can gather some of the government agencies like SCS and ASCS in the past taught the farmers how to drain wetlands with cost sharing programs to "improve" their land. Later on farmers thought they were doing the government a big favor by not asking for cost sharing.

The swampbuster controls seem a little strange when I start reading about hunting habits in Louisiana.

Swampbuster seems to have a unique penalty system -- no flexibility. I agree that wetlands above a certain size should not be drained, but it seems less fuss should be made about small nuissance wetlands. I have the maps from SCS upon which the wetlands have been indicated. I can live with the current rules as long as I can occasionally clean out a ditch in a

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maintenance operation for those wetlands that were drained over a 25 year period before December 23, 1985.

I am a civil engineer by education and am still a registered professional engineer in the State of Colorado. As I study my wetland maps there is a potential source of friction in the future. Even the wetlands which were drained decades ago are shown on the maps with a small wetland remaining the middle. In the spring thaw the outlet ditches are normally full of snow which retain the water in the basin until the water melts through the snow. The wetland determinations are apparently based to a large extent on color variations on the crop photographs. The better soils in the wetlands and the moisture buildup in the spring thaw result in the color variations in the growing crop photographs taken in June or July. I would expect the same technology to result in the same answer every year into the future. Drained wetlands are going to hold water, at least temporarily, which still makes them wetlands on the map.

A change in technology, such as checking for physical water at a certain time of the year, could result in a different answer. That could be a problem.

We need less emphasis on plowing up land to get it into some type of crop base and have more reward for maintaining non-cropland such as wetlands without having to go to permanent easements or restrictions on deeds.

There are maintenance costs for tree rows, non-cropland, and wetlands, such as weed control. Some of the economic benefits must be "hidden". Maybe wetlands need to be another program crop.

Paying a reward to the good steward for maintaining wetlands seems to be a needed part of all the compliance. We need more carrot and less stick.

Federal Crop Insurance (FCIC) helps in obtaining financing, but my experience with hail insurance is more favorable when comparing payments on losses to premiums paid.

Each year FCIC requires my yields for updating the coverage. The ASCS office in the same building doesn't want to hear about my yields.

Current farm program benefits gravitate to the landowners whether or not they are active farmers.

There seems to be an increasing regulatory straightjacket evolving. It seems as if a full belly and a flush checkbook results in a regulatory mind. Maybe we need more research and education to advertise how well off we really are in this country.

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I feel we need to reform the commodity base system. My first choice is the normal crop acreage concept where we can pick and choose our crop mix. If that cannot be achieved, I would at least like the flexibility to plant program crops on non-subsidized acres and still participate to the level my base permits while getting credit for the acres I actually plant. It only seems fair if the base holders get to plant non-program crops and still maintain their base. Flexibility should work both ways. Somehow I need the flexibility to respond to markets and environmental concerns.

References

1 "AGWEEK", February 5, 1990, p. 43.

2 "AGWEEK", February 5, 1990, p. 11.

3 "Union Farmer", February 2, 1990, p. 2.

4 "AGWEEK", February 5, 1990, p. 30.

FORMULATION OF THE 1990 FARM BILL

SATURDAY, FEBRUARY 10, 1990

House of Representatives,
Subcommittee on Wheat, Soybeans, and Feed Grains,
Committee on Agriculture,
Sioux Falls, SD.

The subcommittee met, pursuant to call, at 8:30 a.m., in the feeder pig arena, Sioux Falls Stockyards Co., 803 East Rice Street, Sioux Falls, SD, Hon. Dan Glickman (chairman of the subcommittee) presiding.

Present: Representative Johnson.

Staff present: Joseph Muldoon, assistant counsel, Greg Frazier and Anne C. Keys.

OPENING STATEMENT OF HON. DAN GLICKMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. **Glickman**. Good morning. The subcommittee will come to order. I will ask everybody to take a seat. We will make this informal so people walking in, walking out any time, feel comfortable doing that. There may be people straggling in and they should feel comfortable to walk in during the hearing process.

First of all, my name is Dan Glickman and I am a Member of Congress from the State of Kansas, I am from Wichita, and I am the chairman of the Subcommittee on Wheat, Soybeans, and Feed Grains. This is a formal hearing of that subcommittee in the district of my colleague and friend, Tim Johnson, who is the ranking member of that subcommittee right next to me.

I am delighted to be here. I was just thinking, I do not know if there is any symbolism that the only people in the pig barn, in the pit here, are two Congressmen and a State secretary of agriculture. Everybody is nodding their head yes. [Laughter.]

But this is the first time I have ever had a hearing in this setting before, so we will see how it goes, Tim.

Actually, I was here in this very room about 1½ years ago, just—this is not meant to be any kind of a partisan comment, but I was here campaigning for a person running for President who lost and I will not mention his name on the record, but in any event, while I was in this room, we had an interesting time with one of your Senators, Senator Daschle, and there were others, Senator Harkin was here and a few other people. And that morning in the South Dakota, Argus Leader, there was a story about how I was President Bush's choice to be the new Secretary of Agriculture. Unfortunately, they did not know that I was a Democrat and he was a Republican, so it was pretty remote that that was going to happen. But I later wrote the President-elect and told him that I was willing to take the job if he was willing to nominate me, but he was not interested, for whatever reason.

In any event, I am delighted to be here today at this hearing. This is about the last in a series of field hearings with respect to the 1990 farm bill. We have held hearings in this subcommittee in the Pacific Northwest, and we are going to hold the last one in Kansas next Friday. We have been in the Corn Belt in Indiana and other subcommittees have gone down to the South and Southeast, we have also been in Texas.

The purpose is to get your views on what this new farm bill ought to look like. It is much better for us to come out here, a lot of times we can get much more specific information here, than we can in Washington.

Just yesterday we were in Fargo, where we heard some very interesting testimony on the whole issue of flexibility and computation of base and what we ought to be doing. These hearings are very useful for us and I just hope you will feel free to be as candid and as open as possible. I would ask a couple of things. First, we are asking all the witnesses to limit their remarks to 5 minutes. Sometimes this is very difficult, but we have many, many witnesses and my experience is with questions, if we do not limit it to 5 minutes, we will be here until maybe 3 or 4 o'clock this afternoon. So try to limit it to 5 minutes, everybody's statement will be in the record in its entirety. I promise you, your entire written statement will appear in the record. So if you can summarize, that would really be helpful. A red light will go on when the 5 minutes is up, nothing will happen to your seat but the light will go on. And I will give you about 1 minute to kind of sum up at that point in time. But I tell you that in advance because I know many of you worked hard to prepare testimony, but we just have to keep the process moving along.

Second of all, unfortunately for me, I have to personally leave here at 10:30 a.m. this morning because I am going to El Salvador to do some work. The Speaker is sending down a team of 16 Members to investigate the murder of Jesuit priests down there, and so I need to get back to Washington by 4 o'clock today in order to get on a plane and go down there. So I apologize for that. This came up at the end of this last week. So Tim will finish the hearing, and my staff, the staff of the Agriculture Committee, will be here even after I have gone, so I apologize for that, but your good Congressman here will take care of that.

I just might mention one thing and that is that you are indeed fortunate to have somebody of the caliber of Tim Johnson. As I said, we have 15 members of this subcommittee. I think it is the key subcommittee on the Agriculture Committee, although others may disagree. But grains, wheat, corn, feed grains, barley, oats, soybeans, are really the heart of commodity programs in this country. And you add that to cotton and rice and you have basically got it all. So we have a very important subcommittee. Tim has been on the subcommittee for 3 years, a little over 3 years, is now the ranking Democrat after me and he performs an extraordinarily important role. He has dealt with oats issues, base flexibility issues, he has been a tireless advocate for trying to get more farmer income out of the marketplace rather than from the Government, so you ought to be proud of this fellow here who is doing so much for agriculture and rural America.

And now I would like to turn it over to Tim for his opening remarks.

OPENING STATEMENT OF HON. TIM JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Mr. JOHNSON. Thank you, Mr. Chairman, and I want to thank everyone for your attendance this morning.

I think this is a key hearing for us. I was pleased to have had Chairman Charlie Stenholm of the Livestock Subcommittee out in Rapid City for a hearing that we held out there some time ago, but when we think of the farm bill, we really tend to think of commodity programs as the real guts of the farm bill. So it is a real pleasure for me to be able to host Chairman Dan Glickman here, of the Wheat, Soybeans, and Feed Grains Subcommittee.

This is really the heart of the farm bill for a lot of us. This is where we are going to be winding up talking about target prices, loan rates, base flexibility. These are key issues here in South Dakota.

We are holding this as a formal hearing, so that when we do limit your speaking time to 5 minutes, I just want to remind you that is what happens in Washington as well, whether you are a Member of the Congress or whether you are simply testifying in Washington, the limitation is 5 minutes there, and sometimes less, sometimes only 1 minute.

So we will take your formal statement and that will go on the record. We do have staff of the Ag Committee with us here who have flown out from Washington, and that will all be taken back with us and other members of the subcommittee will have an opportunity to review that when we get back.

We have a wide range of concerns in the 1990 farm bill. The hope is, of course, that we will have this concluded through the House and the Senate and to the President prior to the month of August. It could go beyond that, but hopefully not. What we want to do is get a farm bill that is concluded prior to the big political rush at the end of the year. It is an election year, we know that is coming. We want to get the thing done in time so that farmers have an opportunity to take a look at it and know what is coming in the 1991 crop year. I think all too often, there is a tendency for things to run late and by the time they get the rules and the regs done, no one even at the ASCS office knows what is going on, all too often. and I think we need to get this thing done as quickly as possible so long as we can do it right.

But there are a number of key issues that have to be met in the context of a very difficult budget requirement. President Bush, as you know, is requesting that $1.5 billion be cut out of the commodity price support programs. Now some of us have a priority problem there because he is also asking for $3 billion more in foreign aid and $5 billion for five more Stealth bombers, about $1.5 billion cut in ag income supports. Nonetheless, we may wind up having to live with that kind of budget environment. If that is the case, then we are going to have to grapple with where are we going to find that kind of income savings. We can talk about what ought to happen with loan rates. There has been some suggestion about capping, an income cap for people to be eligible for crop price support programs. There are various things that can be done other than reductions in target prices but all of this is on the table and all of it is going to have to be discussed because the Bush administration has not given us any indication of exactly what their recommendation is or how to find that amount of money in the crop price support program. So that is one of the things that we need to be talking about.

Base flexibility is a big issue, so we will be talking about that; what is the future of reserve grain; the disaster/crop insurance debate. As you know, the administration has recommended the abolition of crop insurance in exchange for a Disaster Program. The farm bill will also be dealing with conservation issues from chemical usage to changes in the direction of the CRP; Farm Credit; trade; rural development issues in the farm bill generally.

Today, we are going to be focusing largely on the commodity programs because this is the Wheat and Feed Grains Subcommittee. One of the things that is always of interest to me is to get the different perspectives on the different commodities. I think sometimes we find that our urban friends are not as sympathetic as they ought to be to all of our farm programs, and there is some truth to that. But in the past part of our problem has been as well that we have not always had as much agreement as we need to have, not only among our urban friends but here in rural America, we need to be as unified as possible.

We find ourselves now with South Dakota having 1 Congressman, North Dakota 1, Montana is going to be down to 1 here after the next census, California has 45 and they will pick up 6 or 7 more at the next census, so we see this draining away from rural areas into urban areas in terms of congressional representation. It means that all the more we need to get our act together in rural America. We need to form those coalitions and we need to be as unified as possible about the directions of these farm bills.

So it is a key concern we have and what we are going to do is get started. We have the honor of having the secretary of agriculture, Jay Swisher here and Jay is going to lead off and then we are going to have a series of other panels of members of organizations of one kind or another, experts, to talk. But one of the reasons we do want to hold to the 5-minute rule in particular is that we also want an opportunity at the close of the meeting for anybody who has a question or a concern or comment, some insights they want to share, to be able to come up to the podium and have their say. I think that is as important sometimes as the farm organizations and the ag leaders. This is an opportunity to let us know and take back to Washington formally in the Ag Committee record what your opinions and observations are about what works and what does not work. So we want to be sure that we do have that opportunity at the close of the meeting, and that is why we are going to hold fairly rigidly to the 5-minute rule on individual speakers on the panels.

So with that, I turn it back to you, Mr. Chairman, and again say welcome to South Dakota.

Mr. GLICKMAN. Thank you very much, Tim.

Let me just briefly tell you the schedule of the farm bill so that you have some idea.

The current farm bill expires on December 31, 1990. So at a minimum we have to get this thing resolved, sent to the President and signed by then. Now if it is not able to be signed by then, I suppose we could extend it for 1 year, the current piece of legislation. That is a bad idea, however, and I will work very much against that. We ought to get this thing done and done as quickly as possible, no later than September 30.

It is my goal that the House—and the chairman of the full committee has a goal that we finish this bill in the House no later than probably the Fourth of July, and hopefully the Senate will do the same thing so that then we can go to conference together and have a bill that maybe can be finished by the August break, which is the first of August. That way, we can tell farmers, particularly winter wheat producers, what the program is going to be next year, early on. Because one of the biggest complaints is we never know what the program is going to be until planting decisions have already been made. So hopefully—that is our schedule, and we will in fact stick to our schedule.

So without further ado, let us go ahead and begin. It is a pleasure to welcome the South Dakota State Secretary of Agriculture, the Honorable Jay Swisher. Jay, it is a pleasure to have you here. You may begin.

STATEMENT OF JAY C. SWISHER, SOUTH DAKOTA SECRETARY OF AGRICULTURE, ON BEHALF OF GOV. GEORGE MICKELSON

Mr. SWISHER. Mr. Chairman, Congressman Johnson, my name is Jay Swisher, I am secretary of agriculture for the State of South Dakota, and I am here today on behalf of Gov. George Mickelson and I want to thank you for this opportunity to share some thoughts with you on the 1990 farm bill, in particular the provisions on wheat, oilseeds, and feed grains.

I am going to delete four or five preparatory statements here because I think they are superfluous, for a matter of time. One thing I want to warn you about, at the end of 5 minutes, that gate just comes around and takes you right out that gate over there. [Laughter.]

I have sold thousands of pigs through here, so you ought to watch that door.

Mr. GLICKMAN. Have you ever sold a Congressman through here? [Laughter.]

Mr. SWISHER. They do not bring much. [Laughter.]

The secretary of agriculture, worse yet. I want to put that in to be sure.

South Dakota is the most agriculturally dependent State in the Nation and I think we will all agree to that. So from that point on, as policymakers look to the 1985 Food Security Act and begin drafting provisions for the 1990 farm bill, the hue and cry of course is for flexibility. The administration has taken the position of redesigning farm programs to give farmers flexibility to manage their operations in the most efficient way, and we strongly support the concept.

I suspect that we will all have different ideas for specific programs that would lend flexibility to the farm bill. Governor Mickelson, as chairman of the National Governors' Association Committee on Agriculture and Rural Development, has taken a lead role in developing a policy position that encourages farm program flexibility. That position statement will be considered for approval at the NGA winter meeting later this month.

As you begin shaping the details for the new farm bill, I ask you to keep the following four points in mind:

First, I strongly believe that the agricultural production must become more responsive to market demands. The United States simply does not have the fiscal luxury of ignoring the marketplace.

As we watch the dramatic changes in Eastern Europe, we see new market opportunities, and challenges, for agricultural products. We know from history that the productivity of the U.S. agricultural system has given us the safest, most abundant food supply in the world and has contributed significantly toward improving our balance of trade. To keep us in that position, the farm bill must not interfere with the ability of farmers and ranchers to produce for the market.

One example pertinent for South Dakota is oats. This State has been known for oats production; yet, the current farm bill forced oats out of production and our Nation is now an importer of oats. This is a move in the wrong direction.

Similarly we can look at oil crops and specialty crops. The 1990 crop program sign-up is in progress and it contains some provisions of nonprogram crops. The results of the current sign-up will give a good indication of what kind of flexibility options are going to work with farmers. We urge you to provide adequate opportunities for farmers to produce oilseeds and other specialty crops.

Second, we must take a common sense approach to issues such as the environment and food safety. Some of the demands placed by outside forces may be good for agriculture, and some are not. But whether or not these demands for change are justified, agriculture must be prepared to deal with them.

Flexibility in the farm bill can be an effective way of allowing and encouraging farmers to be more environmentally responsible. The best way to achieve water quality and other environmental protection goals is through nonregulatory means such as technical and financial assistance. Giving farmers the option of crop rotation and planting some nonprogram crops will pave the way for them to utilize practices which enhance soil conservation and water quality.

The third area, which I believe must be addressed in the 1990 Farm Program is promoting research and development of new uses of traditional agricultural commodities. We know there is a tremendous opportunity for industrial use products from traditional agricultural products. I believe we must direct more funds to an aggressive research and development program to find new uses and new markets for traditional agricultural commodities.

Finally, and perhaps most importantly, simplicity is going to be the secret to the success of any farm bill Congress puts together.

The current Farm Program is overrun with complex program options. Provisions of the 1985 Food Security Act read like an eye chart, where terms like AACR, P&CP, CU, ANPC, 0/92, and CRP abound. I urge you at all cost to keep the program provisions as straightforward and uncomplicated as possible.

A normal crop acreage program, as outlined earlier this week by Secretary Yeutter, is a logical move for the 1990 farm bill. It would give flexibility for program crops and would be useful for those farmers who are interested in more options for wheat, feed grains, alfalfa, and forage crops, not just specialty crops.

Planting history has become tremendously important, and farmers are wary of losing base acres. Quite a few farmers learned the hard way with the 1985 act about the need for planting history. Producers interested in growing alternate crops are more apt to do so if their base history is protected. One thing about it, and I will just ad lib this, is our Crop Insurance Program. We have made some suggestions, I think in South Dakota, as far as the Governor and myself, we have looked and we feel that the private sector would be doing a better job and getting the Government as the backup force in the Crop Insurance Program.

Policymakers have the difficult job of balancing the needs of agriculture and the wants of society, all within the limits of the Federal budget. The 1990 farm bill must be constructed to emphasize flexibility, to allow farmers to successfully meet changing conditions and to do it in a more fiscally responsible manner. We need to give farmers greater opportunity to plant and harvest a crop for the marketplace rather than the Government.

And I thank you.

[The prepared statement of Mr. Swisher appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

Mr. Johnson.

Mr. JOHNSON. Just quickly, Jay. You commented on the Crop Insurance Program. Are you saying that you support the Bush administration's initial recommendation to delete all Federal participation in crop insurance and to go to a disaster program orientation and then allow private insurance companies, if they can, to come in and fill in the gap, or are you more inclined to continue the current sort of hybrid situation where we have a subsidized crop insurance that is privately administered and try to improve on that?

Mr. SWISHER. There are two different concepts, but it is one or the other, not the hybrid. With a hybrid situation, there is not going to be a participation either in one or the other. It looks like——

Mr. JOHNSON. So you are saying either the Government runs a Crop Insurance Program that is governmentally run or you turn it over to the private sector and let them run it, but without subsidies for the premiums?

Mr. SWISHER. Well yes, I guess. I have a plan on that and the actuaries and everything, that would be totally run by the private sector. There is a lot of disagreement on that, but life insurance programs and the actuaries are all set, the crop actuaries are all set. There is a lot of ways that that can be run with the Government as the backup in case of a large call for payments like there was in 1988 because of the drought. These are things that could be easily handled as the Government as only the backup to the private sector.

Mr. GLICKMAN. Thank you very much, Jay, let me just make a couple of points.

One, your point on oats is an excellent point. Both Tim and I worked on provisions in the 1988 and 1989 disaster bills that were largely responsible for letting people plant oats on basically any of their base without losing the base at all. I do not know how many farmers took advantage of it, but there were some in my area, reflecting both the need for flexibility and the need to plant more oats in this country. We import now about half of our oats. That does not make any sense. And notwithstanding whether it reduces cholesterol or not, although I have not met very many horses that have cholesterol problems and I have told people that. The fact of the matter is we ought to be growing more oats in this country.

On the crop insurance thing, the problem we have is my fear is that no matter what kind of private crop insurance system we can devise, assure as shooting, if we have a big disaster it will not be enough to cover it, and we will come back, as we should, and provide some form of disaster assistance. That is why my fear is that if we get rid of crop insurance, that what we will end up having is kind of more of the same of what we have been having, the disaster will come, Congress will come in and so—my hope is, quite frankly, is that what we can do is design what I call a basic minimal Federal crop insurance. One of my colleagues, Congressman English from Oklahoma, is saying basically maybe 50 percent coverage that producers would be eligible for when they sign up for the program. So there would be a base coverage there. It has not been decided if that is going to be the deal yet or not, but—and it is not decided whether the farmer would pay for it or not, it might come with the sign-up, so to speak. And then over and above that, you begin to buy insurance through the private sector, but the fear is that if you rely exclusively on the private sector, you will not be able to get certain types of crop insurance in various parts of this country, the risks are too high.

So somehow we have to try to marry maybe some basic Federal crop insurance with a private sector type of program.

The administration's proposal is to have a countywide disaster designation. The problem with that is if you are a farmer and suffer a disaster but your county does not, you are out of luck. About half of all farm declarations under the Crop Insurance Program have occurred by individualized losses, not related to county or statewide. So you see if we just totally abolished crop insurance or go down the administration's road, a lot of people will not have still any risk coverage at all. What we have to do is try to fill these gaps in and do it intelligently with a public/private partnership with the private insurance agencies and the Government providing some sort of base coverage. And it is tricky, it is tough and—but I hope we can do it.

Mr. SWISHER. I would surely like to show you the program that my office has laid out as a possibility. I have shown this to many people and it is based really on the same provisions that an ordinary life insurance policy would be and it is on $1 value and it has nothing to do with the amount of crop or back history of the land or anything like that, except for the actuaries on hail experiences. Of course that amounts to something insofar as to how much premium you will pay.

Mr. Glickman. Sure. Well could you get that to us?

Mr. Swisher. I sure can.

Mr. Glickman. We would appreciate it.

Mr. Swisher. I think that a former ASCS office manager is our conservation officer person and he looked at it and he said: Well if there is a hole in it, I do not know where it is. I am sure there is, there has to be, because it could not be that perfect, we are not that smart. But it does have some merit.

Mr. Glickman. The problem is is when we write crop insurance, it is just not for wheat and corn, it is for lima beans, cherries, cantaloupe, grapefruit, everything that you can imagine being produced under the Sun. That is one of the big problems.

Mr. Swisher. This would be an individual choice and they could figure out what their cost of production was and the~~y could~~ insure for that number of dollars and it has the basic things it has to have in it to be a good program.

Mr. Glickman. We thank you very much. If you could get us that, we would appreciate it.

Mr. Swisher. Sure will.

Mr. Glickman. The next series of witnesses are Dr. Larry Janssen, professor of ag economics at South Dakota State; Dr. Tom Dobbs, professor of ag economics at South Dakota State; Dr. Chuck Ullery, extension specialist, South Dakota State; Sister Pegge Boehm, director, Sioux Falls Diocesan Rural Life Conference, and Mr. Chuck Hassebrook, program leader, Center for Rural Affairs.

Let us go ahead and proceed in the order that I called you. Dr. Janssen, Dr. Dobbs, Dr. Ullery, Sister Boehm, and Mr. Hassebrook. Again, keep your remarks, if possible to 5 minutes. Your entire statements will appear in the record, so you might want to look at it to see if there is anything you can do to summarize it and then we will wait until you are all finished and we will ask questions.

STATEMENT OF LARRY L. JANSSEN, PROFESSOR, AGRICULTURAL ECONOMICS, SOUTH DAKOTA STATE UNIVERSITY

Mr. Janssen. Good morning. My name is Larry Janssen, as you mentioned I am from the economics department of South Dakota State University and the reason I was called was because I worked along with people in 20 other States on an agricultural policy survey in the early part of 1989.

Before I share a few results from it, I would just like to indicate that commodity programs are basically designed to benefit the commercial family farms. They are very important to South Dakota simply because we are a major producer of the wheat and feed grain commodities and since 1985, they have been a major policy that has helped stop our sliding land values and helped redeem some export markets for us, which is extremely critical in this State. It is also well to remember that commodity programs are not a substitute for rural economic development because that covers so many other items. The commodity programs are also useful along with crop insurance for managing risk in the farm environment.

The survey that I am referring to is conducted the year prior to hearings on the farm bill, by various land-grant universities. We participated with 21 States and about 500 South Dakota producers participated in this survey, and a variety of questions were asked.

In general, as they looked at the general direction of farm policy, the remarks were largely along the lines of let us work with and improve, fine-tune if you will, present programs and not necessarily make radical departures. When you start getting down into some specifics, for example, as to the direction of target prices, a real split there. About half indicated that they should be raised roughly at the rate of inflation and about 40 percent said they should be lowered and it very much split along grain versus livestock interests.

Loan rates was also a similar kind of a reaction. But there was a lot of support for maintaining greater flexibility in planting crops and program acres, there is a lot of support for that. Produces favored maintaining the Farmer-Owned Grain Reserve as a program possibility. Also at that point in time, the Federal crop insurance issue had not come to the media forefront, but when they were asked the question of maintaining Federal crop as opposed to substituting disaster payments, there was about 55 percent favored Federal crop versus 25 percent that said, phaseout Federal crop insurance, put in disaster assistance, and the other 20 percent were all over the place with various comments on the issues.

Turning also—because it is related to the commodity programs, are such things as the conservation compliance and the Conservation Reserve Program. In general, about 75 percent supported continuation of a Conservation Reserve Program. They were evenly divided on whether it should be about roughly the present level or should be expanded. But there was not too much sentiment for reducing it from the State of South Dakota.

Also there was substantial support that soil conservation compliance should be maintained and worked on as a condition for receiving program benefits, over 70 percent in favor of that.

A lot of sentiment and a lot of comments were written concerning using Federal programs to ensure improved—to maintain and improve water quality and not to pollution of underground stream water, but the general sentiments were not doing it through a regulatory approach but through financial and technical assistance, pretty strong support.

The handout covers a lot of other issues, but I think this is sufficient at this time.

Thank you.

[The prepared statement of Mr. Janssen appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much. Dr. Dobbs.

STATEMENT OF THOMAS L. DOBBS, PROFESSOR, AGRICULTURAL ECONOMICS, SOUTH DAKOTA STATE UNIVERSITY

Mr. DOBBS. Thank you.

I am Tom Dobbs. I am a professor of agricultural economics at South Dakota State University. I was asked by Congressman Johnson's staff to appear at these hearings because of the research work we have been doing for the past few years on what has become known as sustainable agriculture, agriculture emphasizing reduced use of chemicals and crop rotations and other soil building practices.

In particular, I was asked to share some of the perspectives that we have gained through contacts with sustainable farmers across South Dakota, in particular a set of interviews that we did with 22 farmers, on their farms, this past spring.

I am submitting for the record a report that we prepared a few months ago that summarizes the farming practices, use of set-aside requirements, and farm policy attitudes of these farmers. Therefore, because of the time limitations, I am just going to paraphrase and highlight a few concerns that come out of the report and that come out of other perspectives that we have picked up as we have interacted with sustainable producers across the State over the last couple of years.

The first point concerns set-aside requirements. At the present time, set-aside requirements are often used by sustainable farmers to work green manure and fallow systems into their crop rotations. It is important, as we design flexibility requirements, or as we look toward more flexibility, that we do not, in effect, inadvertently discourage or decrease the kinds of rotations that are already, to some extent, fostered by current set-aside requirements. Certainly, putting more stability into the amount of set-aside would be a positive thing. Eliminating set-aside requirements or incentives in the Northern Plains would not necessarily be positive from the standpoint of sustainable practices.

Second point. It seems appropriate to allow payments in lieu of deficiency payments that would have been obtainable on program crops for legume and other sustainable crops included in rotations. H.R. 3552, in effect, does this. This seems like a positive step. It seems quite logical to level the playing field, to some extent, by allowing deficiency-like payments for nonprogram crops included in the rotation, if those crops have a sustainability purpose. In other words, this would be an incentive in addition to the flexibility provided by including such crops without losing program base.

Third point. There seems to be quite a bit of sentiment in favor of a Normal Crop Acreage type of Farm Program. In this type of program, one could have either limited or complete flexibility to shift between program crops. While this has a good deal of logic to it, and I think a wide degree of support, in terms of allowing farmers to make management decisions and to respond to market signals, we may also need to be careful to have a gradual transition in which only a certain amount of flexibility is permitted each year, perhaps in some cumulative fashion as we move toward eventual full implementation. Not to have a gradual transition could conceivably cause rather severe market disruptions, with potentially adverse effects on some areas which have rather limited cropping options—such as we have in some of the wheat producing areas of the Northern Plains.

Fourth. In designing changes to provide incentives for sustainability, we need to be careful not to penalize farmers who have already been using sound sustainable farm management practices. In designating a Normal Crop Acreage base, providing incentive payments for rotations, and so forth, it is important that those farmers who have already been using sustainable practices be provided at least as much in acreage base and payments as those who are induced to convert to such practices.

I would like to make just one additional comment outside the commodity area, because I think it relates, ultimately, to the feasibility of different practices that we may be wanting to encourage under our commodity-oriented programs. That comment refers to the USDA's "Low Input Sustainable Agriculture"—commonly referred to as LISA—research and education program.

I have had the privilege of serving for the past 2 years on the North Central Region Administrative Council, which allocates grants under this program. This has been a highly effective catalyst for stimulating multidisciplinary and public/private research and education efforts related to sustainable agriculture. It is vital that this program be continued. It is also vital that the program be greatly enlarged. The approximately $1 million per year that has been available the past 2 years in each region is far from adequate to keep up the momentum that has started and to fund even a significant or substantial fraction of the worthy projects that have been proposed.

Moreover, additions to LISA-grant funds should not be at the expense of formula funds that land-grant universities currently receive from the USDA. It should be from appropriations over and above the existing formula-type programs.

Thank you.

[The prepared statement of Mr. Dobbs appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Dr. Dobbs. Dr. Ullery.

STATEMENT OF CHARLES H. ULLERY, SPECIALIST, EXTENSION WATER AND NATURAL RESOURCES, SOUTH DAKOTA STATE UNIVERSITY

Mr. ULLERY. Mr. Johnson and Mr. Glickman, I appreciate the opportunity to be here and share a few comments with you.

I basically want to share with you some things about what we know about ground water contamination in our State and how we are addressing that and then just a few general comments regarding perhaps what we would maybe like to see in the farm bill.

I think we all realize that American agriculture has proven to be a very abundant supplier of quality food and fiber for the general well-being of the Nation's citizenry. A substantial portion of this production capacity is presently dependent upon the use of fertilizers and pesticides. Any policy and resulting programs undertaken to address environmental concerns associated with the use of these materials should not substantially undermine the Nation's capacity to produce food.

Two studies—the Oakwood Lakes-Poinsett Rural Clean Water Project and a State sponsored Turner County Ground Water Monitoring Project—have provided information about nonpoint source nitrate and pesticide contamination problems for shallow aquifers that are highly vulnerable to contamination in South Dakota. Although elevated nitrate levels were found and in some instances they exceeded the drinking water standard, and nonhealth threatening levels of pesticides were detected, cropland applied fertilizers and pesticides do not appear to represent an immediate widespread major threat to ground water quality in this State. However, there is a need for action to reduce the potential of ground water contamination associated with using fertilizers and pesticides. That is, producers need to be come aware and use better management skills associated with these materials.

Extension, SCS and the State departments of agriculture and water and natural resources have carried out programs to protect ground and surface water quality for many years. However, during the past couple of years, all of these agencies have been devoting additional resources to this effort. A major thrust of these efforts has been informing and educating producers about the agricultural impacts on water quality and fertilizer and pesticide management practices that can prevent it. Presently a nonpoint source task force consisting of all government agencies concerned with protecting water was organized in 1988 to coordinate the programs of nonpoint pollution.

Agricultural producers are aware of the need to protect water quality because they realize they could be polluting the water that they use themselves. Many producers are adopting appropriate practices that provide water quality protection. Producers are concerned, however, that practical approaches be used that do not threaten the profitability of their operation.

Additional financial support should be given to SCS and Extension and other Federal agencies for implementing present and future USDA educational and technical support programs on water quality. Current staffing and support levels are inadequate to handle anticipated present and future workloads. Additional support is also needed for research programs to find better ways to manage these ag chemicals.

Voluntary participation programs using positive incentives such as cost share and technical assistance are preferred for encouraging and helping producers to adopt best management practices for protecting water quality.

If cross compliance or other mandatory participation programs are used, considerable flexibility should be permitted concerning implementation and emphasis must be placed on solving water quality problems at State and local levels.

I would like to elaborate on what I meant on the latter part. In our State, for example, we have a wide range of aquifers. In some parts of the State we have very shallow aquifers that are very vulnerable to contamination. In other parts of the State, our aquifers are quite deep, maybe several thousand feet thick. Those areas have completely different needs and priorities in terms of addressing the problems associated with nonpoint contamination by agricultural chemicals. So I think that we want to make sure that whatever Federal program we have does allow some flexibility in the State to address the high priority problems, No. 1, and then allow flexibility of implementing them.

Thank you very much for allowing me to make these comments.

[The prepared statement of Mr. Ullery appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you. Very good statement.

Sister, it is a pleasure to have you here.

STATEMENT OF SISTER PEGGE BOEHM, DIRECTOR, CATHOLIC RURAL LIFE, SIOUX FALLS DIOCESE

Sister BOEHM. Thank you for this opportunity.

I am Sister Pegge Boehm and I am director of Catholic Rural Life for the Sioux Falls Diocese. I would like to begin my testimony with a paragraph from the most recent document by the U.S. Catholic Bishops entitled "Food Policy in a Hungry World, The Links That Bind Us Together." This is a quote from that document.

> Something is basically wrong when hunger still haunts the richest nation on earth, when thousands of family farmers who produce food cannot sustain their own families and keep their farms, and when public policy seems designed to promote and reward the biggest and richest farmers at the expense of smaller and more moderately sized farms, for which the original farm programs were ended.

I think sustainability is probably the key word as we enter the debate on the 1990 farm bill. If family farms will be sustained into the 20th century and if our rural communities will be sustained into the 20th century and if our land will be sustained into the 20th century, then I think we must think long term and consider sustainable farm policies. Farm policy these past years has been shaped like a baker trying to make bread without considering the temperature of the room, whether she has an oven ready when it has risen and whether there will be sufficient bread to feed everyone. Farm policy, like bread made in this way, uses the recipe only. No other factors were taken into account. Farm policy, rather, ought to be dealt with as if it was an organism where many factors are considered in its entire system. The affect on the environment, the diversity of the whole program, and the relationships between programs, all need to be considered when designing a comprehensive 1990 farm bill.

If indeed we believe that moderate-sized farms operated by families on a full-time basis are economically viable and worth sustaining, the arena of public policy needs to be shaped in such a way that this viable family farming system is not only renewed but also sustained for generations to come. Federal commodity programs need to be structured so that farmers who depend on their farm for their livelihood can attain an annual income adequate to meet the needs of their families. Why not target farm programs to small- and medium-sized farms, especially with the present Federal budget squeeze. Current commodity programs seem to encourage the farmer to overproduce and do not support farmers using sustainable farming practices. The current commodity programs help the biggest farms the most and protect unwise investments in land.

The National Catholic Rural Life Conference is a member organization working within the Sustainable Agriculture Working Group. Basically, as a coalition, we are committed to promoting public policies that will help sustain the gifts of the soil and water, strengthen opportunities for farm families and rural communities, produce quality food, and protect the health of producers and consumers alike. These policies have at their center the concept of targetting Federal farm programs with people and production in mind.

In addition to the Sustainable Agriculture Working Group, we strongly encourage you to support H.R. 3552, the Jontz bill, title II specifically. The Farm Program outlined in this bill contains strong sustainable and flexible options. It establishes a voluntary program designed to enable producers to adopt sustainable production systems for their farms. It also reduces Farm Program barriers to adoption of more sustainable agricultural systems.

As church, we are concerned about the dignity of the human person and concerned for the common good of all. I see the tragedy of farmers losing their farms as I travel the State of South Dakota. They not only lose their farm, but they are stripped of their dignity and their way of life. And I think this is our chance to start renewing and sustaining the family farm system into the 20th century. The church is in the long-term business and as church, I invite all of our lawmakers into thinking long term also when designing the 1990 farm bill. God bless you all.

[The prepared statement of Sister Boehm appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Sister.

Mr. Hassebrook.

STATEMENT OF CHUCK H. HASSEBROOK, PROGRAM LEADER, CENTER FOR RURAL AFFAIRS

Mr. HASSEBROOK. Thank you for the opportunity to testify. I am representing the Center for Rural Affairs today of Walhill, Nebraska, my name is Chuck Hassebrook.

The focus of my comments will be on options for designing a farm program that is more supportive of sustainable agriculture and family sized farms.

I begin by commending you for the great strides that the 1985 farm bill took in the specific area of soil conservation. But I think in another respect, the 1985 farm bill has worked out to penalized stewardship of the natural environment, particularly in the commodity programs for the reasons many of the other speakers have alluded to.

Mike Duffy at Iowa State University did an interesting study looking at the current Farm Program and he found that when you consider the Farm Program, the most profitable production system in Iowa is continuous corn production. If you take the Farm Program out of it, it becomes more profitable for the farmer to use a diverse rotation that includes some oats and some meadow and some things like that that are better at protecting the soil from erosion and that enables farmers to substantially reduce chemical use. I think that bias comes from a number of sources.

One is that the current target price favors a relatively few crops. Other crops that tend to be some of our most resource conserving crops like oats and alfalfa get little or no support. So I would commend Representative Johnson for your efforts with respect to raising target prices on oats, because I think that is a step in the right direction.

The second problem I think is that the program has a lot of rigidity. Even among program crops, you cannot change if you are locked into a current base. For example, if you have a 100 percent corn base, you cannot go to even a corn/wheat rotation without getting out of the program or giving up benefits.

And I think finally, the way the program attempts to control supply by limiting acres tends to encourage intensification of production on fewer acres. For example, on one hand, if you want to be on the program, you have to set some of your land aside, but on the other hand, if you want to maximize your benefit you plant continuous corn on the other acres and pour on a lot of inputs. I think there might be ways of making a more rational system that does not try to control supply on the one hand and on the other hand encourage more production.

Well what to do. Like some of the other speakers, I would urge support for H.R. 3552 and commend Representative Johnson for his role in bringing that about. I think that proposal really goes a long way in removing some of the Farm Program penalties for farmers going the extra mile in getting their erosion down to where it does not degrade the productivity of the soil and reducing the chemical use.

Without repeating what some of the others have said about provisions of that bill, one of the ones that no one else has mentioned that I think is important is that under that bill, if you go to a more diverse rotation that reduces your total level of production, that can count that toward your supply control commitment. In other words, if you reduce production by going to a less intensive rotation, you have your set-aside requirements reduced. And I think that is important.

And like Tom, I really second Tom on this point, that it is important as we look at these flexibility schemes, to do something that removes the penalties on the people who have been rotating and doing a good job all of these years. One of my concerns about the administration's bill is I think that in some respects it could end up penalizing the people who have been rotating all along, because it does not do anything to increase their benefits but it invites other people to get into their markets and produce their commodities. So I think we need to raise their bases as H.R. 3552 provides.

Some of these things cost money but I think there are ways of making adjustments in the entire program that would make the program more equitable and allow us to do these things without creating a more costly program. For example, I think one of the things we ought to look at is saying that you can only draw Farm Program payments on some limited percentage of your planted acreage, maybe 66 to 80 percent of your planted acres. With the money you save there, you could bring up some of the people with the very low bases, bring them up and provide support for them on maybe two-thirds of their acres where now they are maybe getting support on 30 or 40 percent of their acres. There is really no rationale for the current system where one farmer on one side of the road who grows continuous corn is paid on all his acres and the farmer on the other side of the road that rotates maybe gets payments on a third of his acres. I think that ought to be equalized and we can do that without adding to budget problems if you bring down people on the top end.

The last thing I would talk about is the issue of targeting Farm Program benefits that Sister Pegge Boehm alluded to. I think that is important. If we really want a Farm Program that strengthens family sized farms, we need a Farm Program that improves the ability of the small- and moderate-sized beginning farmer to compete for land, so that when a piece of land comes up for sale, the smaller farmer can compete with the large, well capitalized expanding operation. So in my testimony I detail a two-tier target price system. The first 100,000 dollars' worth of production would be supported at a higher target price than production above that amount, and I think that has the potential to really make the Farm Program work better for family sized farms but it also helps us deal with those budget constraints.

Thank you.

[The prepared statement of Mr. Hassebrook appears at the conclusion of the hearing.]

Mr. GLICKMAN. I want to thank you all for excellent testimony, this has been very good. I would make a couple of points.

One is the way you discuss the issue of program flexibility, particularly you, Mr. Hassebrook, is very important. It is one of the reasons why we will adopt some form of a more common sense base protection program. Now one thing we find in agriculture is that what is good for somebody is bad for somebody else. Total flexibility is great where you can rotate. Total flexibility is not so great if you cannot rotate because somebody else is going to be rotating into your crop if that is the only thing you can produce.

Up in the Pacific Northwest, they can only produce wheat, for the most part. I presume in western South Dakota, unless you are irrigated, you have not a lot of program options. So one thing we have to do is to be careful that we do not allow everybody in the world to rotate into wheat. Because if we do that, we will bring down the price of wheat $1 a bushel. That is why a total NCA approach may not necessarily be the best thing for all farmers in this country.

I wonder if any of you have any comments on that particular issue? Dr. Dobbs.

Mr. DOBBS. That is what I was alluding to when I said we may want to see some kind of a transition. Even if we were to ultimately go to complete flexibility, it may be best from a lot of farmers' standpoints if that is done over a period of years, particularly, as you allude to, for the wheat regions where the options are more limited.

Mr. GLICKMAN. Yes.

Mr. HASSEBROOK. I would add to that that I also think the adjustment of target prices on some other grains that would fit well into rotations is important. If you continue to support wheat but do not support crops like oats and things like that, then flexibility will mean that people just produce more wheat and corn because that is where the support is.

Mr. GLICKMAN. And that point was made up in North Dakota yesterday. That is, pure flexibility does not do much unless you look at how you are supporting your commodities, because you are not going to get people to move into other areas without some relative equality in how those target prices are set.

I would like to compliment Sister as well as Mr. Hassebrook on this whole issue of targeting. This is a real difficult concept because a lot of folks are very comfortable with the way we currently have the farm programs designed, which basically says that if you are in operation with $150,000 or $200,000 in gross sales, you get basically the same kind of benefits as if you are somebody with $2 million in gross sales, other than a $50,000 payment limitation, which is currently in the law.

Last week, one of our colleagues from Texas, Congressman Armey, a conservative from Texas, said that we ought to totally revolutionalize farm programs and make it so that nobody gets any deficiency payments if they have more than $100,000 in gross sales. Now we are not going to adopt that. However, we are going to have to examine this idea that we basically give the same type of payments to everybody regardless of their size. At some point you have to ask yourself should an operation that has 2 or 3 million dollars' worth of gross sales—and I realize gross sales are not net sales, I do not know how you would handle it—or $5 million, get a deficiency payment when you have a limited amount of money.

The administration has recommended that we cut $1.5 billion out of Federal farm programs. Really we have pretty much squeezed these programs unless we make some fundamental changes. So our choices may be to either cut target prices for everybody, which I think is a bad idea; raise the loan rate significantly, which may be a good idea but I guarantee you that the folks in the administration will never support that; or else begin targeting benefits so you make sure that the midsized producers are protected and maybe even get a target price increase, but the folks with large gross sales would still be given their commodity loans, but not permit them to participate in the deficiency payment program.

Now that all sounds good until you figure out where the cutoff point is going to be. Hopefully we can design it so that it is $1 above everybody in this hearing room and then we are in great shape.

But the fact of the matter is that while I do not think everything in current farm programs has been bad and we have done a lot of good things in the 1985 farm bill, farm policy over the last 20 to 25 years has encouraged expansion and increase in size, there is no question about it. Which means depopulation. Your State has not grown, I do not think, in years. Tim mentioned the State is losing congressional seats. My State is losing one, we are going from five to four this year, and Kansas is not anywhere near as rural or agriculturally oriented per capita as South Dakota, but it is still up there pretty high. So somehow we do have to look at these programs and figure out if there is a way to try to encourage midsized—not the smallest, but not the biggest—operations which are very economical to operate, to stay on the land. I do not know where we are going to end up in this kind of thing.

What I would like to do is provide a target price increase for midsized producers and then maybe have some sort of cutoff at the high end, or something like that, but we will see what we end up with, but I think your points are good points and I do not think they will go on deaf ears this year.

Mr. Johnson.

Mr. JOHNSON. Just briefly—and I commend the panel too for an excellent job, all of you.

I am a little surprised in Dr. Janssen's survey that 40 percent were supporting lower target prices, even given the livestock nature of those individuals. I guess my more anecdotal information as I travel around the State is that even a lot of livestock oriented people appreciate that we are all in this together and that bankrupting the grain farmer is not in his interest. But we may take a vote here, a show of hands here later on how many people want lower target prices. [Laughter.]

I have a feeling it is not 40 percent in this room here, but that is maybe skewed because we are here at a grain hearing.

Any comment on that?

Mr. JANSSEN. Well let me just add that there was quite a bit of division on it. Like I said, there were certainly more that favored raising than favored lowering, but those that favored raising were virtually—most of those who had grain production and were participating through program and especially those that were not, favored something else.

But the other thing I—let me add something I did not point out, but it was another strong proportion, we did ask about directing program benefits to midsized farms and we used a $250,000 cutoff. But there was strong support, more than two-thirds, favored that as opposed to retaining the same—if program budget cuts need to be made, this was the preferred option to do it amongst a variety of alternatives. So you might wish to take that into consideration.

Mr. JOHNSON. I think this whole issue of targeting is an intriguing idea. I know that Chairman Glickman has given a lot of thought to it and has shared some thoughts with us here today. I have worked with Congressman Dorgan of North Dakota on a bushel-based targeting scheme in the past that I think had a lot of good things about it, frankly we were never able to implement it.

But particularly as we find ourselves in a budget crunch, we may find farm policy dictated as much by budget considerations as by anything else. There has been some suggestion that if we were to deny deficiency payments to those producers who have $500,000 in gross sales, or more, that there would be a saving of around $1.3 billion, almost all of the savings that are needed in the budget this year. Now some of that perhaps could be used to augment target prices for lower. If you go to a $1 million cap, then obviously the savings drop down to I believe $500 million or something like that.

We have gone around in circles on the $50,000 limitation and I think everyone is aware of the very difficult legal problems we run into and the ability of some people, particularly big operations, to skirt the limitations and circumvent them but I think it is an intriguing idea, particularly as we find ourselves in more and more difficult financial circumstances. It will be an issue that we will be dealing with during this farm bill, and I think it is good that we will be trying to grapple with it.

Mr. GLICKMAN. Thank you very much for your testimony today, it was very good.

The next panel is Mark Rogen, South Dakota Corn Growers; Jack Meyer, American Honey Producers; Milt Lakness, South Dakota Oilseeds; Mark Berg, South Dakota Soybean; Brenda Forman, South Dakota Wheat; Orrie Swayze, American Coalition for Ethanol, and Gordon Brockmueller, American Oats.

We appreciate you coming here and I think we will start with Mr. Rogen and just go down the aisle.

STATEMENT OF MARK E. ROGEN ON BEHALF OF THE SOUTH DAKOTA CORN GROWERS ASSOCIATION

Mr. ROGEN. Thank you, Congressman Glickman, Congressman Johnson, I am Mark Rogen, a farmer from Sherman, South Dakota and I am here testifying on behalf of the Corn Growers Association.

As we look to the 1990 farm bill, we feel that some changes need to be made to the 1985 Food Security Act so farmers can continue to see some improvement in their incomes, which has an impact on all of rural America.

The 1985 Farm Act pointed us in the direction of getting more from the marketplace and we feel Congress should keep that same emphasis in the new farm bill.

One area of interest to us is support for the expansion of the various nontraditional uses of corn. That includes the extension of the Federal excise tax exemption for ethanol, efforts to expand the use of corn starch based biodegradable plastics and continuation of the U.S. Sugar Program. At the same time, we must also work to ensure that the by-products of corn processing, particularly corn oil and corn gluten feed, can move unhindered into world markets.

Many more new uses of corn are potentially possible, limited only by the woefully inadequate Federal support for research in that area. Our organization has been deeply involved in efforts to promote new uses research and would welcome any help your subcommittee could provide in securing funding for projects that bring about the production of new value-added agricultural products. This would mean so much to the economic development of our rural communities.

We also hope you will look at measures in the farm bill that ensures the viability of the livestock industry in the United States. Even though we are enthusiastic supporters of new uses, we value our largest customer, which is the livestock sector, which will use about 57 percent of our crop this year.

Possibly the largest area of concern for us as Congress looks to the new farm bill is the continuing decreases in the target price of corn. Even though the decreases in support levels have helped put U.S. grain back in a more competitive position in world markets, current conditions do not suggest further reductions. We would like to see higher corn target prices to help restore losses in farmer buying power.

Farm income has leveled off because of the 1985 farm bill and we do not face the same market situations that we did when it was being written. As an example, today the stocks are down and our prices are more in line with market clearing levels. It also makes no sense from the standpoint of the GATT negotiations to give away United States support levels when the EEC is not responding in kind. If the rate of target price reductions continue unabated, we will effectively eliminate all income supports by the end of the 5-year 1990 bill. This would be in contrast/sharp violation of past Government policy favoring some sort of income protection for farmers and cheap food for the Nation's consumers. The 1985 farm bill provided farmers with a safety net of income support while still contributing a more than generous share of Federal budget savings. Leaders in Congress have mentioned that point several times, but I think it bears repeating.

Farm programs were costing more than anyone would have liked in the mid-1980's, but our programs are cheaper now by more than half and it is about time that agriculture started getting credit for it.

Farm Program spending has fallen 60 percent in only 4 years to its current level of about $11 billion. This is about 0.94 percent of the entire Federal budget. If President Bush and Clayton Yeutter have their way, the Farm Program budget will fall to about 0.85 percent next year and get smaller every year.

We in agriculture have given our fair share to balancing the Federal budget and giving the consumers in this country cheap, wholesome, and healthy food. We should not be asked to continue cutting our share of support levels/target prices and thus the income of American farmers without expecting everyone else who benefits from Federal dollars to take their fair share of cuts.

Thank you for coming to South Dakota so we could share our concerns with you. We look forward to watching the debate over the 1990 farm bill and hope you will consider our concerns about continued lowering of target prices and what it is doing to the income of the American farmer.

[The prepared statement of Mr. Rogen appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Mark.

STATEMENT OF JACK W. MEYER, JR., LEGISLATIVE CHAIRMAN, AMERICAN HONEY PRODUCERS ASSOCIATION

Mr. MEYER. Mr. Chairman and Congressman Johnson, my name is Jack Meyer, Jr. I am a third generation beekeeper and work in a family business with my father, Jack Meyer, Sr., and my uncle, I.H. Meyer. We operate 14,000 colonies of bees for honey production in North and South Dakota and we maintain an overwintering queen and nuclei operation in Louisiana and Mississippi.

I am a member of the American Honey Producers Association, which is an organization of producers only and represents approximately 60 percent of the honey produced in the United States. I am currently serving as legislative chairman.

The honey industry is unique in two areas:

One, not enough honey is produced in the United States to meet domestic demand. Some imports are always required.

Two, the dollar benefit of our industry to other agricultural commodities is far greater than the value of honey produced. About $200 million compared to $9.3 billion of added value.

Five years ago, here in Sioux Falls, I had the opportunity to testify before a similar committee concerning the pending 1985 farm bill. At that time, my industry was being faced with an onslaught of honey from foreign nations. Domestic honey had been replaced by foreign honey on the store shelves. CCC warehouses were for the first time since the 1949 farm bill taking over major amounts of honey.

When work commenced on the 1985 Food Security Act, a compromise was reached between the House and Senate conferees and industry leaders to change the Honey Program to a lower loan repayment rate program.

I am happy to say that this new program is working well. Domestic honey is back on the store shelves and not in Government warehouses. There is a real possibility that none of the 1989 crop will be forfeited. Imports are once again as they should be, filling the shortfall between domestic production and consumption. Costs of the program have been reduced from $80.8 million in 1985 to $41.7 million in 1989. This is a 50-percent reduction.

The American Honey Producers would therefore like to go on record as supporting a continuation of the current Honey Support Program in the 1990 farm bill. There are, however, two changes we would like to see:

One, that further reductions in the loan rate be stopped, or better yet, loan rates be increased. Honey has already taken an 18-percent reduction in the loan rate over the last 5 years. This is a greater cut than any other commodity. Wheat and corn are approximately 9 percent. My organization would like to see any future cuts, if needed, distributed equally among all commodities and would hope that before any future cuts in our program are made, Congress will take into consideration the abnormally high cuts we have already shouldered.

In the last 5 years, beekeepers have been faced with the introduction of two bee pests, Varroa and Tracheal mites. These pests have caused serious economic damage to our industry. If researchers are correct, the Africanized bee will soon cross the Mexican-United States border. Although I am confident my industry will be able to cope with this new challenge, this will also cause an additional economic impact.

Two, we are also opposed to the maintaining of a $250,000 forfeiture cap on our commodity. This is not to be confused with the $250,000 payment cap on benefits. The forfeiture cap is potentially detrimental to the welfare of the entire honey industry as producers with production above this cap may be forced to sell, thereby depressing the entire honey market. Also, we are the only commodity to be under such a restriction.

I would like to thank you for your time and for your willingness to come to Sioux Falls to receive input in regard to the new farm bill.

[The prepared statement of Mr. Meyer appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you very much, Mr. Meyer, very good statement.

Mr. Lakness, it is a pleasure to have you.

STATEMENT OF MILT A. LAKNESS, SUNFLOWER PRODUCER, HAZEL, SD

Mr. **Lakness**. Mr. Glickman, Hon. Tim Johnson, thanks for the opportunity to come before you.

My name is Milt Lakness, I am a farmer from Hazel, South Dakota. Sam Lakness was supposed to give this presentation and I am going to forego this and as a farmer I think I will just tell you my own observations, if I could, please.

Mr. **Glickman**. Sure.

Mr. **Lakness**. We need flexibility in this Farm Program and in all farm programs. The inflexibility of the Farm Program probably was a key factor in limiting the sunflower industry in the more arid parts of the Dakotas. And if you were in North Dakota yesterday, as I understand, you probably heard that. It is true.

But our momentum is going to extremes, there is no doubt about it. I liked the 1985 farm bill and also I liked my John Deere tractor in 1985 and I liked my Chevrolet pickups in 1985. But now it is 1990 and we have to do some reengineering and the engineers of John Deere and Chevrolet of course are going to reengineer, and you folks are the engineers for the Farm Program.

I see two issues from a farmer standpoint, and I hope I am not betraying the oilseeds industry when I say this. I should be probably putting more emphasis on that, but we do have to have more flexibility.

But there is another issue—swampbuster. Swampbuster has come into the Dakotas here and put a strangle hold on a lot of innocent farmers, a lot of innocent landlords through harsh, harsh penalties that cannot seem to be resolved or moderated. I am old enough to be a grandfather and I do not believe I have ever seen such a militant action, whether it be in meetings or out in the field, as the U.S. Fish and Wildlife are putting on the Dakota farmers. It seems to be—it is just a movement that really cannot be moderated. You have just got to moderate some of those penalties, some of those penalties are very innocent but it seems like you just cannot go back and modify them.

Like I said, we as people go to extremes. I think, Tim, if I were taking you on a ride through the universe and we looked down at our planet Earth, we would look down here and we would look at India and you would point at India and you would say there is a great people, there are a lot of people there, but they have something very sacred other than their eternal salvation and that would be the cow that wanders all over. You look over at North America, that is where we come from. We have something very sacred there, it is the duck, you see, and we are going to extremes. We do not care what we do to people, but we are going to save the duck. This, gentlemen, has to be moderated.

I realize that the swamp lands and the marshes in this very region have been drained, and it was unfortunate. We went to extremes that way, but now we are on the other extreme, and gentlemen—Tim, you are from South Dakota and you have been representing this State very well, I want to congratulate you on that, but please take that into consideration.

And really why I brought that to mind, I do not care where you go, you can look right out the window and there sits a U.S. Fish and Wildlife vehicle, as I sit here and look all day. I mean it is just part of our system any more, you see, and this has to be moderated.

Thank you.

[The prepared statement of Mr. Lakness appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

Mr. Berg.

STATEMENT OF MARK A. BERG, PRESIDENT, SOUTH DAKOTA SOYBEAN ASSOCIATION

Mr. BERG. Thank you, Mr. Glickman, thank you also, Tim.

I am Mark Berg from Tripp, South Dakota where I farm soybeans, corn, sorghum, wheat, oats, barley, hay, hogs, and cattle. I am here today as president of the South Dakota Soybean Association.

Soybeans are the No. 3 crop in South Dakota and represent almost 20 percent of the State's total crop receipts for 1989. Last year South Dakota farmers harvested 49 million bushels of soybeans on 1.9 million acres. Our crop has a cash value of $225 million.

Soybeans have been a profitable crop for South Dakota farmers. We see tremendous worldwide markets for soybeans, yet we see our competition around the world expanding to meet the world's demands while we have our hands tied by Government programs which favor program crops and encourage foreign soybean producers.

During the past 10 years, foreign production of soybeans has increased an amazing 75 percent while U.S. production has declined 17 percent, at a time when world market for soybeans is increasing 2 to 3 percent each year. For every acre the United States cuts, our foreign competition added 1.3 acres. South Dakota farmers are concerned that foreign soybean producers will soon have control of the world soybean market and will reap the benefits at our loss.

Something must be done now to reverse these trends. If we wait until the 1995 farm bill, we will have lost a valuable opportunity to reverse U.S. acreage loss and discourage more foreign expansion.

Current domestic farm policy encourages foreign soybean production by making the U.S. Government the buyer of last resort at a guaranteed price in the event of surplus. At the same time, the U.S. Government's other commodity programs are a contributing factor in the decline in U.S. soybean production.

Even when market prices indicate a shift to soybeans, U.S. farmers see more attractive returns for other crops because of Government programs. For these understandable dollars and cents reasons, as well as to avoid losing base acreage, U.S. farmers maximize production of program crops. Foreign producers, however, can and do respond to soybean market price incentives by expanding acreage and production.

South Dakota farmers believe we need a program in the 1990 farm bill which will reverse these trends and allow us to regain the soybean world market. We have worked during the past 2 years with farmers across the country to develop a solution to the problems we face. We ask for your support for the Graduated Equity Loan Program.

The Graduated Equity Loan Program has both income protection and planting flexibility as its foundation. It provides farmers with an incentive to grow soybeans in response to the market and puts soybeans on a more equal footing with other program crops. It also places foreign competitors at greater risk by removing the price floor set by the current nonrecourse loan program.

Under the Graduated Equity Loan Program, farmers would be eligible for a loan based on target prices and ARP levels for corn and cotton. The percentage of farmers' production eligible for the loan would very, based on stock levels. The remainder of the farmer's crop would be at market risk.

Farmers could repay the loan at the lower of the posted county price or the county loan rate. To avoid Government stockpiles, farmers would give up the right to forfeit their crops as payment of the loan.

Soybeans are produced in nearly 30 States from North Dakota to Florida and from New Jersey to Texas. Farmers have regional differences but they have united around the program that provides both income support and flexibility. A program for soybeans in the 1990 farm bill must include both.

South Dakota farmers have suffered in recent years because of drought conditions which lowered both our yield and our profitability. In addition, our lower soybean protein content and lack of processing facilities in the State make income protection very important. We need to know that we will have a safety net to fall back on when prices are low.

Flexibility, which is the other major component of the graduated equity loan, is also important to farmers in South Dakota. In recent years, we have seen some shift of acreage from oats and barley to soybeans. However, hardly any farmer is going to give up his corn base to grow soybeans. The guaranteed returns from corn makes the risks of growing soybeans too great, even though the market may signal soybeans.

An important part of the graduated equity loan is that there would be no set-aside requirements for soybeans. The soybean loan rate under the graduated equity loan reflects the set-asides of other crops. In addition, only a percentage of a farmer's production would be eligible for loan.

We believe changes must be made in the farm policy that creates a more level playing field, that give soybean farmers a chance to compete with producers around the world. We believe the graduated equity loan would provide us with the opportunity.

Soybean producers in the European Community can expect subsidies from their government at $15 per bushel, but United States soybean farmers are not asking for handouts. We simply want the opportunity to compete and ask for Government policies that will allow it.

Mr. Chairman, we look forward to working with you and the members of this committee in the future in finding solutions to this problem. Thank you.

[The prepared statement of Mr. Berg appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

Ms. Forman.

STATEMENT OF BRENDA R. FORMAN, EXECUTIVE DIRECTOR, SOUTH DAKOTA WHEAT, INC.

Ms. FORMAN. Mr. Chairman, Representative Johnson, my name is Brenda Forman and I am the executive director for South Dakota Wheat, Inc. First, I would like to thank you for presenting this opportunity for producers to give testimony. Meetings such as this demonstrate a commitment to the producer and ensure that an effective farm bill can be written.

Past experience has shown that one of the foremost needs of the 1990 farm bill is flexibility. The 1985 farm bill lead production toward monoculture. Producers were encourage to relinquish flexibility options in order to maximize their program benefits. Benefits perceived by flexibility include farmers farming for the markets instead of the Government and environmental safety. The present policy allows for choices based on Government programs only. To enhance flexibility, producers in South Dakota would like to see the return of farm acreage bases. This program offers flexibility, base protection, and market-driven planting decisions.

In 1988 and 1989, widespread drought decreased wheat carryover drastically. In response to this, Secretary Yeutter announced that producers could plant up to 105 percent of their base acres. While this may have calmed the nerves of many consumers regarding food shortages, it sent wheat prices downward. This decision leads producers to request a minimum set-aside of 5 percent.

Target prices must be frozen at present levels. The 1990 farm bill should also allow target prices to adjust with inflation rates instead of being decreased yearly.

Grain surpluses must also be kept at a reasonable level to ensure backup, but not so high that markets do not respond to low production reports. We producers in South Dakota encourage storage be placed on-farm and the use of commercial storage facilities later if needed.

Producers should be allowed to use proven yields for all Government programs, including Federal crop insurance should it be continued in its present state. A producer should be able to gain from the technology he or she uses. In addition to the use of proven yields, county averages must be reevaluated for all crops.

Crop insurance or permanent disaster program is becoming a topic of intense discussion. Producers want a method to protect their livelihood much like any other businessman. But due to the inadequacies and complexities of present insurance programs and uncontrollable influences, he is often left at the hands of mother nature and not even the U.S. Congress can fool her. The droughts——

[Laughter.]

Mr. GLICKMAN. You never know, we have been known to fool a lot of people. [Laughter.]

Ms. FORMAN. The droughts of 1988 and 1989 created much controversy where producers were required to purchase crop insurance before collecting disaster. Even more confusing is that most producers were better off with the disaster legislation than they were with the insurance policy they purchased. It appears we have two choices; overhaul the present insurance program or eliminate crop insurance and develop a permanent disaster program similar to that in earlier farm programs. A program based on dollars per acre has worked successfully for hail insurance and has some promise for multiperil. Producers are willing to pay for a policy that gives them good protection.

Grain quality has also entered into the 1990 farm bill. Reports are stating that we are not a consistent supplier of clean, uniform grain. We are, however, a source of 1.4 billion bushels of wheat per year for importing countries. We are a solid source of food wheat. We produce the most kinds, some of the best quality, and probably the safest food in the world. Grain quality, legislation must be worked at carefully before it enters the 1990 farm bill.

USDA's recent announcement regarding continuation of most export programs is welcomed by wheat producers. Sixty percent of our production goes to export. We must be allowed to play on a level playing field with other exporting nations. There is talk of eliminating export program measures, but we must be prepared should other countries choose not to participate. The Export Enhancement Program and the TEA Program must be continued.

Another area that I would like to address is environmental safety. First and foremost, anyone who cares for the land is an environmentalist—farmers are environmentalists. Environmental safety is perhaps the most controversial because it is so emotional. We need to protect our resources, but this means all people. Urban people use chemicals, fertilizers, and other potentially hazardous products just as farmers and ranchers do. Restrictions must apply to everyone. A realistic, rational approach must be used. Chemical use has given us safe, plentiful, and affordable food. Do we want to give that up, or are we willing to take the risk for the benefit? We do it for so many other things; driving, flying, drinking, and smoking. We must research in depth before we make judgments. Conservation programs must be continued and new methods of farming must be researched and developed.

Finally, I would like to stress that the 1990 farm bill must be the most competitive we can write. The final GATT negotiations will be running concurrently with the farm bill legislation and their outcome will govern markets into the 21st century which will in turn affect the way wheat producers farm.

I would like to thank you for this opportunity to testify.

[The prepared statement of Ms. Forman appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

Mr. Swayze.

STATEMENT OF ORRIE D. SWAYZE, BOARD MEMBER, AMERICAN COALITION FOR ETHANOL

Mr. Swayze. Good morning. My name is Orrie Swayze, I am here representing the American Coalition for Ethanol. for an ethanol organization to be testifying on the 1990 farm bill is very appropriate because we are very interrelated in all ag programs.

The American Coalition for Ethanol is an organization dedicated to expanding profitable market opportunities for ethanol. ACE agrees with an earlier USDA report, stating ethanol is key to developing new industrial markets for ag products. Our members include various commodity groups, rural electrics, and ag processors producing ethanol and a variety of coproducts. Our membership is located in North and South Dakota and Minnesota. I am here today as a farmer, board member, representing the American Coalition for Ethanol.

As a farmer, I see disturbing similarities in marketing ethanol and corn. It seems product devaluation is the primary tool used to achieve market penetration. As an example, we saw in Nebraska, December ethanol prices were less than 90 cents per gallon. State and Federal tax exemptions in Nebraska totaled 90 cents per gallon. The reality was ethanol had a negative value in the marketplace. Paying people to take a product is a practice of those trying to dispose of a toxic waste. Current corn prices are well below the cost of production. Deficiency payments are a standard practice to assure continued crop production. Whether the product is ethanol or corn, selling at prices far below the cost of production is a costly and disruptive way to gain market share.

Largely throughout its recent 10-year history, ethanol has been priced similar to gasoline. Ethanol's octane qualities have had little impact on ethanol values. Rack price of gasoline plus the 60 cent per gallon Federal tax incentive usually dictated the approximate price of ethanol. Octane value is just passed to the consumer. If the additional octane value can be gained by the processing industry, market value of ethanol will increase approximately 50 cents per gallon. If this entire increase in value is passed to the bushel of corn, corn values would increase $1.25 per bushel. A challenge for those seeking new industrial markets for corn is to market ethanol in a manner that assures its octane value is considered. ETBE represents a new technology that promises to move ethanol into the higher value octane market. Creative product development such as ETBE allows ag products to enter fast growing new markets. Currently, ethers represent the fastest growing market for gasoline octane enhancers. ETBE, nondiscriminatory labeling requirements, ag policy, clean air policy, and an effective national energy policy are tools we can better use to ensure that ethanol and ag commodities receive fair-market value in the marketplace.

Again as a farmer I see an ag industry working hard to self-destruct. Our main concern is to gain export market share by reducing the value of ag products. We have declared an agricultural trade war with the European Community. It appears the European Community is winning the war. Twenty percent of the world ag trade is coarse grains, 20 percent is intermediate processed products, and 60 percent is high-value ag products.

The United States has 7 percent of the large high-value ag trade. The European Community has 50 percent of the high-value ag trade. As Cooper Evans suggests, it is time to focus ag export policy "where the action is" in the value-added world ag trade.

Considering our failure to achieve market share in the value added export trade and our failure to significantly expand domestic agricultural industrial markets, where does the U.S. achieve the highest value for CCC resources? Condemning them to a coarse grain export war or utilizing them to build rural America and a grain processing industry that is able to provide many useful products for the competitive domestic and foreign marketplace?

Section 1024 of the 1985 farm bill, allows CCC assets to be made available at no cost to liquid fuel producers utilizing ag commodities as feed stock. Section 1024 directed to new or expanding facilities can be a valuable resource to build new grain processing capacity in rural America. Export enhancement has received generous volumes of CCC assets to export coarse grains. To date, section 1024 has not been used to direct CCC assets to new or expanding grain processing facilities. Had we directed more CCC assets to rural America and ag processing, we would have a variety of products available for the export trade. Had we directed more resources to new ag processing facilities; ethanol and its processing coproducts would be leading agriculture into new domestic and foreign markets. New domestic industrial markets and high-value ag products for export offer new tools in utilizing the massive resources ag producers have made available. On the export enhancement thing, we see ADM looking at building a processing plant in Russia today, a corn processing plant. And it looks to me like the export enhancement thing is building processing plants in Russia and we are not getting it done here in South Dakota.

In summary, the 1990 farm bill must include incentives to develop domestic and foreign industrial ag markets. The current tax incentives to ethanol and ETBE must be extended beyond the year 2000. CCC assets must be used to develop new processing facilities and new industrial ag markets must replace what Secretary Yeutter calls the sheer economic madness of an agricultural trade war. U.S. policymakers must not deceive themselves into thinking all trade problems are solved if ag commodity prices are decreased. As loan rates and targets are lowered, the United States is not becoming more competitive. The reality is that the costs of financing the sheer economic madness of an ag trade war are passed to the ag producer. The consumer and the ag producer will continue to lose unless the United States becomes a more creative and successful marketer of ag products.

[The prepared statement of Mr. Swayze appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you.

Mr. Brockmueller.

STATEMENT OF GORDON BROCKMUELLER, MEMBER, BOARD OF DIRECTORS, AMERICAN OAT ASSOCIATION

Mr. BROCKMUELLER. Mr. Chairman, Congressman Johnson, thank you for the opportunity to appear before you today to discuss the

American Oat Association's position on the 1990 farm bill. My remarks are condensed from the American Oat Association's extended testimony, which I have submitted for the hearing record.

I am Gordon Brockmueller, a producer from Freeman, South Dakota and a member of the American Oat Association board of directors. My sons and I produce oats and other small grains, row crops, and livestock on approximately 1,000 acres in South Dakota.

The AOA was formed in 1988 to represent the interests of the entire oat industry, from producer to food manufacturer.

Scientific research over the past 25 years has shown that oats is a wholesome, natural fiber product. American consumers have incorporated oat products into their diets. We anticipate that demand for oats and oat products will remain strong.

The United States is importing about 60 million bushels of oats per year to meet the increasing demand for a commodity for which we have been historically self-sufficient. If we continue to import oats at that rate, we also risk losing the oat processing industry as companies build or consider building processing plants closer to the source of supply.

The American Oat Association contends that the American producer has responded to target price incentives in the 1985 farm bill, which have encouraged him to produce other crops. The oats' target price has served as a disincentive when compared with the target prices received for other crops.

Another disincentive to oat production is an inflexible base acreage program which causes farmers to grow more highly supported commodities year after year. We are seeking to rectify these inequities during the 1990 farm bill deliberations.

The AOA commends Congress and the administration for several recent initiatives designed to correct some of the initial program inequities.

The AOA recommends the following three options to potentially increase oat acreage for the 1991 crop year and beyond:

Option one, realign target prices to remove the incentive some crops enjoy in relationship to others. Oats is a prime example of target price discrimination. One way to achieve equity among target prices is to eliminate the current requirement that oats, barley, and sorghum target prices be set in relationship to the corn target price. The current domestic oat supply/demand equation points out the need to address oats separately.

Option two, increase planting flexibility to allow farmers to respond to market conditions. The AOA supports the concept of flexible planting. However, any flexible planting provision must be based on either a more equitable target price system or by separating payments from production. Base substitution will be effective only if the target price system is revised to provide equity for all program crops or if payments are separated from production.

Option three—and this is a new position for your consideration if option one and two are not enacted—develop a domestic enhancement price, DEP, for oats. The goals of this program would be one, to increase domestic production of oats by more fully compensating producers for oat production relative to other subsidized crops and two, to encourage the expansion of the U.S. oat processing industry by providing adequate supplies of domestically grown oats.

Now a brief outline of this proposed program provisions are:

Allow producers with an existing oat base to expand their oat plantings by an announced percentage and receive a Domestic Enhancement Price, DEP, of $2 per bushel on the additional harvested acreage.

The announced percentage of base to expand is determined by a domestic production target of 450 million bushels. If domestic production is projected to fall below 450 million bushels, the Secretary would be required to permit producers to exceed their base by 15 to 30 percent. If domestic production is projected to exceed 450 million bushels, the Secretary would be required to permit producers to exceed their base by 0 to 15 percent. This additional acreage could not be used to build oat base acres.

The producer would receive a domestic enhancement payment calculated by the difference between the domestic enhancement price and the average market price for oats times his program yield on those additional harvested acres.

The payment would be made only for the harvested acres. At the discretion of the Secretary, the payment could be made with either cash or certificates and partial payment could be paid in advance.

Base acreage for other program crops would be maintained if oats are planted on that base.

The Secretary would be required to announce a zero percent ARP for oats when domestic production is projected to fall below 450 million bushels.

Our projections are that additional costs of the DEP program are limited to the expanded acreage only and are largely offset by savings from other program crop payments and the reduced need for Export Enhancement Program payments to dispose of surplus grain stocks.

The American Oat Association appreciates the opportunity to present these options for consideration in the 1990 farm bill deliberations.

[The prepared statement of Mr. Brockmueller appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much. Let me ask a question. This new oat program that you are talking about here, is that thought to be a serious plan if the other two things are not established, which is realigning target prices and some sort of planting flexibility.

Mr. BROCKMUELLER. That is correct.

Mr. GLICKMAN. I do think that you raise an interesting point, and this has been brought up before, and that is that unless we set target prices appropriately, all the flexibility decisions will not be utilized, they will not have very significant meaning for producers, particularly the relationship between corn and the other feed grains. But it also relates to oats and wheat which have a lot to do with each other as well and our problem there which obviously is going to be one of money. But the corn target price responsible for about 80 percent of Farm Program payments in this country because it is the biggest commodity of all, by far. And so any changes we make in the corn target price—and I assume that Mr. Rogen would not want to see us drop that target price——

[Laughter.]

So any changes we make in the corn target price will have monumental impact on the budget picture, so we probably ought to at a minimum maybe look at some of the others to see if they need to go up. And I do agree with you that oats is a problem. Barley is also a problem. The barley target price represents unrealistic inputs in terms of feed value and all those kinds of things. So I do think that you make a good point here.

Now on soybeans—I think Mr. Berg talked about soybeans—I have been for some time feeling that you cannot keep soybeans out of our programs any longer. To a large extent, that is because the soybean people had not wanted to be included in the programs, but you are the second biggest farm commodity in this country, closing on corn fairly rapidly in terms of size of production. And you have this program called the graduated equity program, which is an interesting one. I have not endorsed it but I have said that we are going to have to think seriously about including something like it in this year's farm bill. The difference is you do not want to have any kind of set-aside requirement. And I guess my point to you is that whatever we do with soybeans has to conform to what we do, in a sense, with every other crop. That is, we cannot treat one crop totally different than another crop, otherwise we will skew planting decisions, they will not be made on marketplace. And so that is why whatever we do with corn and soybeans have to kind of conform with each other.

I wonder if you have any comments on that.

Mr. BERG. Yes, I do.

What you can place your soybeans in the graduated equity loan under loan for takes into account what the set-aside is on cotton and corn. You would receive less money, as far as under the graduated equity loan, if the corn—if the ARP increases and also the same with cotton. So it is taking in account as far as what you are going to receive when you go to the ASCS office. And that is where we would like to see it from the standpoint our production has been dropping at the same time world demand has increased and we do not think it is beneficial for us at this point in time to be decreasing our acres through that, we are willing to give up some on the price.

Mr. GLICKMAN. OK, we are going to continue to work on that one because I am aware that the amount of the loan somehow reflects the amount of the set-aside.

On oats again, when we permitted in the 1988–89 bills, you want to protect your corn or wheat base by planting oats, has that resulted in any appreciable increase in oat production here in South Dakota or anywhere in the country?

Mr. BROCKMUELLER. Yes, it has to some extent. I think it was a good incentive.

Mr. GLICKMAN. I know Mr. Johnson was very involved in this oats thing from the beginning and he had a lot to do with that provision as well as some of the other flexibility decisions. So we are going to keep working on that.

Tim.

Mr. JOHNSON. Well thank you.

Milt, I appreciate your observations about swampbuster and some of the problems we are having. I think even Secretary Yeutter is beginning to recognize that the all or nothing severity of the penalties is inappropriate, that we need to back off and take a look again at what kinds of penalties are imposed or not imposed. It is a fine balance that we have out there between trying to protect wetlands in President Bush's no net loss of wetlands policy, and yet at the same time not resulting in a situation where the productivity of huge units are really jeopardized. And so I think that is an issue that we are going to have to review and I think there is some sympathy in USDA for taking another look at that.

One of the concerns—we sometimes have competing, contradictory concerns in a way and I know Mark, your comments about demanding greater access to world markets for corn gluten and things of this sort and yet at the same time, 55 percent of the sweetener in this country I believe is corn based. The reason we have a fairly strong sweetener industry in this country frankly is because we have very severe import limitations. And so we do have this contradiction in the sense that obviously we cannot demand open markets from others and at the same time indicate that no, we are not going to allow you to import into our country. So we are going to have to see where we wind up with in the GATT talks on that.

Of course, honey is kind of in the same boat, where we have a lot of things where the administration is indicating they would like to go in a different direction in terms of restricting imports and we are going to have to see how we eventually come out in the GATT talks on those issues.

On the soybean side, the graduated equity loan issue is one that would not cost a great deal, at least by ASA's estimates, it would not be a big dollar item, but nonetheless it does take more dollars out of what is a shrinking pie available for commodity price support programs.

I wonder if there is any comment from the corn and wheat producers in particular, do you have any problems with soybeans establishing a graduated equity program? Obviously they would become another competitor for the dollars that are available, but we are looking at the time for some equity among the various commodities.

Mr. **Rogen**. I guess somewhat, if I understand it a little bit, it is somewhat like what corn has been asking for and is actually in the 1985 farm bill, somewhat of a marketing loan program. We have been asking for that, it worked for rice and cotton and we understand it was a big cost program for them and that is where the administration has come down. Of course it would compete. If we could get it for everybody, marketing loan, graduated equity loan, whatever you want to call it, I think it would work as long as the income support level, the target prices are not lowered any further.

Mr. **Johnson**. Of course they are suggesting that you continue to keep deficiency payments and target prices and the soybean people are not wanting that, but they do want the graduated loan levels.

Brenda, do the wheat growers have any particular feeling one way or the other?

Ms. **Forman**. I guess as of this time, I have not really heard any. It has been discussed, but I do not know if—they have not made any comments really one way or the other. I do not think at this time it really has—probably we would have to get further into it to see exactly how it was done and see some figures.

Mr. JOHNSON. And Mr. Brockmueller, when we talk about the NCA and the greater base flexibility, the administration is talking about the prospect of complete base flexibility, so you would be able to plant oats on corn base and still get, as I understand their proposal, a corn deficiency payment. So what you have would be virtually a decoupled kind of payment arrangement. And you are suggesting that from the oats perspective, that would be something that would be attractive to you?

Mr. BROCKMUELLER. As of this time, yes, we feel that that would be fair to oats, but we have not really studied the proposal in depth yet.

Mr. JOHNSON. But you can see there are 1,000 variations of how to put these things together and the trick is to put it together in a way that is equitable among all the commodities and still meets the budget requirements of the act.

Thank you again.

Mr. GLICKMAN. I want to thank the panel, excellent testimony.

The next witnesses are—let me say that as soon as Tim gets back, I am going to have to run but I wanted to tell this panel of witnesses that I am taking all of your statements with me and the committee staff is staying here and Tim will be here, and I appreciate your testimony.

This panel's testimony represents to some extent some of the strongest divergent views about both the administration's proposal as well as calling for some additional changes. That is very important for us as we write this farm bill, to have those differing points of view and I appreciate that very much.

Mr. Duane Jones, president of South Dakota AAM; Mr. Rod Hall, chairperson of Dakota Rural Action Price Committee; Mr. Richard Ekstrum, president of South Dakota Farm Bureau; Mr. Dallas Tonsager, president, South Dakota Farmers Union; Mr. Gary Engebretson, vice president, South Dakota National Farmers Organization and Ms. Norma Hall, national secretary, Women Involved in Farm Economics.

We thank you all very much, I am glad to see that Norma is wearing both her WIFE and her "Big Red" colors today, and I do not know which one she is more proud of today. But in any event, we thank you and I want to again thank Tim Johnson for making sure that I came up here as well as for doing such a splendid job as he does on agricultural issues.

So you go ahead and begin, Mr. Jones.

STATEMENT OF DUANE D. JONES, PRESIDENT, SOUTH DAKOTA CHAPTER, AMERICAN AGRICULTURE MOVEMENT, INC.

Mr. JONES. Thank you, Chairman Glickman and Congressman Johnson. I hope you gentlemen had the opportunity to attend our fish fry Tuesday. We sure liked sponsoring that event to show our appreciation to your staff.

Mr. GLICKMAN. If you would have that maybe six or seven times a year, we may adopt your Farm Program without even thinking about it.

Mr. **Jones**. We might do it that way. [Laughter.]

My name is Duane Jones, I am the State chapter president here for the American Agriculture Movement in South Dakota. As it has always been in the past, our goal is a price, a fair price for our food and fiber that we produce. I realize that the administration's feelings on that are a little different than ours, but that is our goal and always will be, until we receive that fair price.

As we know, everyone in this room is well aware of the fact of what is happening with cost of production. It continues to climb and farming does not have the luxury of some other businesses to pass on that cost. We know what happens—fuel is a good example of what happens, just recently we know what happened with fuel and propane. We want that fair price.

Another thing that—off the price—American Ag has a new program and I just talked to Larry Mitchell at our office in Washington and they have not even had the press release yet on this, but we have what is called a soil restoration program and that would allow producers to bid in up to 30 percent of their base for up to 3 years in order to allow time to develop a good cover crop. This also would serve as a forage reserve in the event of drought and things of that nature.

Crop insurance, we feel—I will touch on crop insurance just real briefly—we feel that it is a necessary program. I know it probably needs some reevaluating, there have probably been some abuses but I think it is real necessary. It is a method for some producers to look for loan collateral and some ag lending institutions require that.

GATT—and I know, Congressman, you are aware of our feelings there. We do not want to see our foreign policy written at GATT. The American consumer must be protected against the open dumping of foreign products into our country. Some of the things that are outlawed in this country are still being manufactured and used in other countries on produce that is imported into our country. We have something called country-of-origin labeling that would make the consumer aware of where that product is coming from. He would also have the choice whether he wanted to buy that product from some other country or buy it American produced.

Something else, Tim, maybe you could enlighten us on is farm storage. Along with our price, I think we could get that farm storage back. I do not think anyone else has touched on that. We need that farm storage. We could just as well get the income from that rather than the big major grain terminals. That would go along with price, if we had that higher loan rate, we would have that farm storage and that income.

Basically, I know you are aware of our feelings on price, and I thank you very much.

[The prepared statement of Mr. Jones appears at the conclusion of the hearing.]

Mr. **Johnson** [acting chairman]. Thank you, Duane.

Rod.

STATEMENT OF RODNEY M. HALL, CHAIRPERSON, DAKOTA RURAL ACTION PRICE COMMITTEE

Mr. HALL. Chairman Glickman and members of the committee, my name is Rod Hall and I am a farmer from Fulton, South Dakota. Today, I speak on behalf of Dakota Rural Action.

As you begin to write the 1990 farm bill, we understand that some Members of Congress believe that the 1985 farm bill should be continued. Dakota Rural Action offers a better idea.

More than 200 years ago, "There once the embattled farmer stood and fired the shot heard around the world." Today, in the U.S. Congress, it must not be forgotten that an insufficient supply of food in Eastern Europe has disarmed the Communist power in a peaceful way that no military force ever could achieve. The huge communal-type corporate agriculture of Eastern Europe failed totally.

The American family farm has produced during war and peace abundant supplies. America must not make the mistake of losing the only proven food supply, the family owned and operated farm.

As far as the 1985 farm bill, the international grain merchants have made huge profits, they love it. The huge packer-owned feed yards like to buy grain below the cost of production—they like it. Those who would destroy every family farm in favor of billion dollar corporations see their chances—they love it too.

In very brief form, I present the ideas of Dakota Rural Action. For more specific detail, additional written explanation is offered.

The Family Farm Act is a fairly complete program and the ten points I will talk on are:

One, farmers must recover their cost plus at least a minimum wage for their work. These costs are increasing. It makes no sense to talk of lowering their prices. The loan rates must be increased. If, however, you want to just raise target prices, that is a much more expensive way of accomplishing that.

Two, the Secretary of Agriculture must determine each year the quantity needed for domestic use, reserve need, farmer commodity reserve, food assistance, livestock feed programs and export demands. It makes no sense and fewer dollars to export at a loss.

Three, the system should be based on bushels rather than acres. These benefits should be targeted to smaller farms without a specific point but a gradually changing rate, continuing to reduce the benefits as the farms have ever huge operations. Nothing should be paid to the huge, perhaps even foreign owned, conglomerates.

Four, this is a totally new venture that we are suggesting here. A farmer commodity reserve would be established. This would help make for normal operations during disasters by providing grain instead of money to cover losses. In the past, disaster bills gave farmers money, the local businesses were left out of the process. This grain would be taken from CCC stocks to start with or purchased from the Farmer-Owned Reserve. It would, as much as possible, be stored on the farm with the farmer being paid commercial storage rates in return for storing this grain in excellent facilities.

This would eliminate the need for Congress to pass disaster legislation every year or probably every election year.

Five, a voluntary sustainable agricultured program would be established. It should run for 5 years and the farmers who take part should not lose base acres for planting legumes and using other approved practices; receive continued and expanded cost share for approved practices; receive from the farmer commodity reserve grain to replace a yield reduction during this transition.

Starting now, our environment must be protected and improved.

Six, the Conservation Reserve Program. CRP would be continued in our Family Farm Act. Provisions should be made to allow for establishment of permanent grasslands by allowing farmers certain rights during the last 3 years of the contract. Grazing in limited amounts to establish herds for the proper usage would be encouraged. We must never ask the taxpayer to pay his money to take this fragile land out of production again.

Seven, reform of international trade policies must consider United States and our constitutional rights. Our exports must be fair and return the cost of production plus the minimum wage. Our farm bills must be always written in Washington, DC, not Geneva, Switzerland.

Eight, a short-term livestock feed assistance program must be available to prevent losses of herds as a result of natural disasters. A disaster can destroy in weeks what takes years to build.

Nine, ASC county committees have and must continue the very important role of local controlling the Farm Program. County committee persons cannot be suspended without a fair hearing in the home county. These county committee persons are elected officials and are not considered as an employee. They are expected to work as an official committee and not to be bossed by the county executive director. At the ASCS office, farmers need a bill of rights. That is a copyrighted comment from Top Producer, January 1990.

Ten, a companion Minority Farm Act is also included to ensure that all people have a right to agricultural producers. The 1990 farm bill must not discriminate because of race, color, religion, or creed.

I would summarize just finally by saying, Mr. Chairman, the cheap food policy is not permanent. At best, it will last 50 years, then you run out of farmers. We as a nation have dangerously gone down that road for about 10 years with a national food supply produced by family farmers. Food at reasonable prices is our Nation's best defense.

When the international conglomerates control agriculture, then you will find really that a bushel of wheat really does cost a barrel of oil.

Mr. Chairman, I thank you for my time.

[The prepared statement of Mr. Hall appears at the conclusion of the hearing.]

Mr. Johnson. Thank you, Rod.

Dick.

STATEMENT OF RICHARD EKSTRUM, PRESIDENT, SOUTH DAKOTA FARM BUREAU FEDERATION

Mr. Ekstrum. Thank you, Congressman Glickman, Congressman Johnson, I am Richard Ekstrum, president of South Dakota Farm

Bureau Federation. I have a general livestock and grain farm at Kimball and I am presenting the statement of the Federation.

We support the continuing of the general—and I might indicate I also have a much more elaborate written report.

Mr. JOHNSON. That will be for the record.

Mr. EKSTRUM. We support the continuing of the general direction set by the 1985 farm bill. We recommend that the next farm bill include certain modifications that would contribute to greater market orientation and allow farmers to manage their operations in response to economic, environmental and technical considerations and opportunities. We believe that these fundamental principles express our ultimate objectives for the 1990 farm bill:

One, we reaffirm our commitment to competitiveness.

Two, we assure the opportunity for adequate level of farm income.

Three, maximize freedom for farmers to respond to market conditions.

Environmental and conservation regulations should not detrimentally affect farm income or the U.S. competitive position in world markets.

Loan rates should continue to be tied to a percentage of the average price of the commodity over the past several years.

Target prices should be frozen at 1990 levels.

Production adjustment programs should be implemented through voluntary production adjustments when carryover supplies exceed workable levels.

Producers should be allowed to plant other program crops or approved nonprogram crops on permitted acreage for the crop for which a base acreage is assigned. This should be accomplished without loss of base.

Government grain storage policies should not encourage the rebuilding of excessive commodity stocks. The Farmer-Owned Grain Reserve Program should be eliminated.

We support a loan program for soybeans. We do not support acreage controls, marketing quotas, or the establishment of a soybean reserve program.

Reasonable limits on participation in the Conservation Reserve Program should be maintained to provide economic stability in local areas and nationwide. We support requiring that all CRP land meet conservation compliance needs at the end of the contract, but oppose additional restrictions being placed on the land.

Swampbuster, we support a reasonable minimum size of wetland for which no penalties would apply for draining or filling.

We support soil conservation and implementation of all compliance programs by 1995. Producers of traditional crops that are not compatible with compliance plan provisions should be given a one-time opportunity to shift crop base acres with attendant crop yield either from an affected farm or from a noncompatible crop to a compatible crop.

We urge repeal of the conservation easement section of the 1985 farm bill and of previous executive orders which allow easements to be placed on FmHA inventory property by State and Federal agencies and private groups.

We support crop insurance in place of disaster assistance, but only after the crop insurance program is made workable and equitable. Crop insurance should not be linked to Farm Program participation and should be available on an equitable basis to producers of all program and non-program crops.

The Export Enhancement Program and targeted export assistance programs should be retained to help U.S. agricultural exports compete with unfairly traded foreign products and to increase U.S. negotiating leverage in the GATT. The 1990 Farm Program should be consistent with a key U.S. objective; a market-oriented world trading system. It should ensure U.S. competitiveness and support farm income in the years to come.

We support expanded research efforts.

One last area that is key to the economic opportunities for farmers and ranchers is the fiscal policy of the Federal Government. Fiscal policies have a dramatic influence on interest rates, tax levels, and the value of the U.S. dollar, which relates directly to export opportunities.

We support these priority areas: One, freezing Federal spending across the board; two, applying any Gramm-Rudman measures to all Federal spending; three, Federal budget process reform using current year outlay budgets and a 2-year budget plan; four, line item veto; five, a balanced budget amendment to the U.S. Constitution; six, no to more taxes; seven, reinstatement of the capital gains treatment; and eight, extending and expanding the 25 percent health insurance premium tax deduction for farmers and other self-employed citizens.

I thank you for this opportunity to present testimony.

[The prepared statement of Mr. Ekstrum appears at the conclusion of the hearing.]

Mr. JOHNSON. Thank you, Dick.

Dallas.

STATEMENT OF DALLAS TONSAGER, PRESIDENT, SOUTH DAKOTA FARMERS UNION

Mr. TONSAGER. Good morning, Congressman. Thank you very much for having this hearing today.

My name is Dallas Tonsager, president of South Dakota Farmers Union. I also live and farm near Oldham, South Dakota.

In presenting the perspective of our organization on the issues related to the Farm Program today, I would like to begin by talking about an issue that I think sets the backdrop for the entire farm bill this year and that is the GATT negotiations. I wish to express our concern about the American position in those negotiations because at this time it implies that we need to eliminate those farm programs and eliminate them worldwide. And I do not think that is a sensible approach.

The Economic Research Service of the U.S. Department of Agriculture, the same agency where the primary leader of that activity is, has suggested we will see farm price reductions of up to 44 percent if the American position is implemented. So we wish that that position would be modified to bring about a balanced trade between countries, but based on the different needs of the different countries in providing for the needs of their agricultural producers.

Second, an issue that is not directly tied to the farm bill this year, but I think is becoming more and more important to us, and that is the issue of vertical integration into the livestock industry. We believe that the Federal Government should begin to address this issue. We are attempting to address this issue on our State level, but it is very difficult to address it unless everybody attempts to do it. We see more and more the largest companies in the world owning livestock and going into livestock production from birth to death. And while I am not scared of competing with any other farmer, I am scared of having to compete with the biggest businesses in the world who have tremendously more resources than I do.

Finally, in the Farm Program itself, in looking at what we face this year, we of course have been advocates of supply management programs in the past and I think the program we have now is a supply management program. We would disagree on how it is approached and will continue to do that, but some things we would like to suggest are first of all, the way our program is structured now, it does control supply to a degree but it is the type of control that allows the purchasers of commodities to know what is going to be produced. They know virtually almost to a degree how many acres of anything is going to be planted at the beginning of the year.

So we think flexibility is important from this perspective. If those who wish to buy our products know they have to pay a higher price in order to get us to produce it, they may be more inclined to pay that price. So we do support provisions that allow more flexibility in the program and allow producers to make greater decisions about what they produce.

We also would like to see a rebalancing of the target price levels and loan levels. We believe that the levels that are currently in place frequently cause producers to choose which crop to produce, not based on what they see in the market but on how large a deficiency payment they can get. So we think there is some logic to changing the balances, especially between barley and oats, and some other commodities. But there is some sense to changing them. But we do support the flexibilities that have been discussed earlier.

Crop insurance, we continue to support the Crop Insurance Program. We believe that the program can be rebuilt, it can be made better—it must be made better if we are going to continue to have it. I sit in an unusual position as a producer who uses crop insurance and have seen the problems that go with it, but as president of a company that sells crop insurance at the same time, we often see the contradictions involved. Farmers Union people have been very critical of the program, but many, many, many of them have used it, especially during the drought years that we faced. So we note that there is consistency in the risk management areas of crop production.

Another area of interest to me, we have always advocated the maintenance of a Grain Reserve Program and we will continue, I believe, to advocate that a food reserve program is appropriate and useful, but it must be isolated from the market. It cannot be based on a trigger mechanism that serves as a cap to the market when prices are going up.

Another suggestion I would like to add in that area is that if we do have a reserve program, that the grain not be allowed to sit there for an extended period of time, and only be in a bin for a couple of years. I think one of the grain quality problems we encountered was from very old grain coming out of reserve that did not get rotated adequately. And I think that, in the last several years, has been as much a contributor to the grain quality problems we faced as anything.

With that, that concludes my remarks, and again I wish to express our appreciation for this time.

Mr. JOHNSON. Thank you, Dallas.

Gary.

STATEMENT OF GARY L. ENGEBRETSON, STATE VICE PRESIDENT, NATIONAL FARMERS ORGANIZATION

Mr. ENGEBRETSON. Good morning.

The 1985 farm bill is essentially a continuation of farm policy for almost the last 40 years. This policy is based on the assumption that farm production can drastically be higher than consumption. When this happens, the market forces prices below the cost of production for farmers and therefore a system is devised to limit ag production, support prices and at the same time increase consumption.

Today, acreage limits and support of farm income has remained basically the same but with the addition of PIK certificates. The certificates, however, eliminate the floor pricing concept of loan rates by allowing the grain trade to buy their needed farm production without raising cash prices above the loan. Net farm income stays about the same because of the deficiency payment but at taxpayer expense. Therefore, eliminating PIK certificates will reduce the budget exposure very considerably.

Increasing consumption of farm products has most people's attention possibly because there are so many ideas as to how to accomplish it. One theory is that by lowering the price people will consume more. Does anyone really believe that if the price of a T-bone steak was cut in half that people would sit down and eat two steaks at the same meal rather than one? The need for more nutrition is not based on price. If the cost of gasoline was decreased by 50 percent, it is plausible that the consumer may drive more miles on a vacation or make more trips to grandmother's house, but it is not likely that food consumption would change in the long run.

Another reason for lowering farm prices is to recapture a reduced percentage of export volume. However, the main factor affecting price is who controls that market. I have charts on the back of my testimony showing that the volume of grain from the United States is greater than any other country. Therefore, the United States has not lost its ability to set the price of farm commodities in the international market.

Yet another reason for lowering farm prices is the amount of carryover grain from one year to the next. Again, from the charts it shows that carryover grain from 1 year does not change dramatically unless there is a drought. I do not have current figures on what the inventory is. Because of the uncertainty of the weather, one has to seriously question those that believe an inventory is negative. Certainly the 35,000 to 40,000 people that starve to death every day would not believe in a surplus of food. It is not possible for a blessing to be a curse.

In any business, an asset cannot be a liability at the same time. Yet in agriculture, when the farmer owns the grain it is a surplus; when the food companies own the grain it is highly profitable. According to the Forbes list of privately held corporations, Cargill is the No. 1 corporation in America with gross revenues of $44 billion. Continental is fifth on the list. Four of the top 5 and 8 of the top 10 corporations process food in some manner. It is extremely difficult to say that they are having a problem finding a buyer for farm commodities.

What then determines the farm price? Agriculture does not have a true market but is in a residual market. The farmer receives whatever is left over after everyone else takes their profit. The perfect example is the transportation bottlenecks caused by lower river levels and the so-called rail car shortage. These extra costs, unlike other markets where the consumer price is affected, are also passed back to the farmer. Until the farmer prevents the buyer from pricing farm commodities, there will always be more excuses to lower farm income.

The sole purpose of the National Farmers Organization is to block together farm commodities in large enough volumes to eliminate that residual market. This is possible because the American farmer is still the majority supplier of food to the American people. That is changing, especially in livestock, as Dallas has said. The fact that companies must buy from the farmer gives them the clout as a group to negotiate sales. Individually, the farmer who sells thousands of dollars of commodities cannot influence a market in the billions of dollars. For the cost of hiring professional people, the farmer can once again be financially independent.

Governments can also determine farm prices much as it determines a minimum wage for labor. Surprisingly, we can fine-tune the farm bill to accomplish this by simply raising the loan rates, thereby setting a floor price. As I stated before, PIK certificates must be eliminated to make the loan rate effective. Target prices can be frozen to reduce Government expenditures.

An obvious question would then be: At what rate should the loan be? All industries that are regulated by Government, and certainly agriculture is because we are sitting here complaining about flexibility—that must be a classic example of somebody that is being regulated—periodically lobby the appropriate agency for a rate increase. The main criteria used is an increase in cost; in other words, inflation. Cost of living adjustments are made to Social Security benefits, Government work paychecks and benefits, defense contracts, congressional salaries, et cetera. How can agriculture as an industry be expected to use any other standard?

Yet the first year corn averaged over $2 a bushel was 1947. Is it realistic to suggest that loan rates and target prices be lowered again in 1990? And if some clown from the administration—let me back up.

Would any other industry settle for the same prices they were paid 40 years ago? If a politician suggested this they would be laughed out of office. And certainly if someone from the administration is suggesting reducing the prices by another 40 percent, they should come with straitjackets and put them in a mental institution. And I mean that seriously, it is just so ridiculous.

The consumer price index is the most accurate measure of the general inflation level. As farm income increases and stabilizes, the symptoms of low income will disappear. These symptoms include bankruptcies, both farm and commercial banks, the need for mediation between these two, fragile farm ground will be put to more appropriate uses than raising crops, disaster loans and direct payments will not be necessary as people's saving accounts will fill that need.

Rural communities will regain their financial base. These are large benefits for the cost of raising the loan rate.

And one addition, I believe the proper way to determine what kind of society we have is very much the taxation. Taxation can be a subsidy, income taxes specifically can be a limit to expansion. We do not want to eliminate the incentive to produce, that is what makes the family farm so effective as compared to corporate-type agriculture, and so I believe taxation is the proper way rather than direct benefit, payment limits or whatever.

Thank you.

[The prepared statement of Mr. Engebretson appears at the conclusion of the hearing.]

Mr. JOHNSON. Thank you, Gary.

Norma.

STATEMENT OF ELAINE STUHR, NATIONAL PRESIDENT, WOMEN INVOLVED IN FARM ECONOMICS, PRESENTED BY NORMA L. HALL, NATIONAL SECRETARY

Mrs. HALL. Mr. Johnson, the members of Women Involved in Farm Economics want to thank you for holding these hearings and giving us opportunity to express our views.

I am Norma Hall, I am from southeastern Nebraska, I presently serve as national secretary of WIFE and I am here today in behalf of Elaine Stuhr, national president of WIFE. As I said, I am from southeastern Nebraska and I am representing WIFE today.

I am a full partner with my husband in our family farm operation. We have been farming for over 35 years and through those years we have participated in every Government Farm Program from the beginning. We have seen many and varied plans put in place. You are here today listening to some more varied plans to be put in the 1990 farm bill.

WIFE is a grassroots organization committed to improving profitability in agriculture through education, legislation, communication, and cooperation with other entities. WIFE believes that a strong secure economy in the United States is directly related to a strong healthy economy in agriculture.

Improving profitability on farms and ranches is essential to improving the quality of life of both rural and urban populations. At present, rural incomes are far below urban incomes because of our large capital investments—land and machinery—high input costs and low prices received at the marketplace.

WIFE believes that agriculture should be the main focus of any rural development effort since agriculture is the economic base for most rural communities.

WIFE is continually striving to develop strategies and policies that will improve the economic prosperity of agriculture and the economic prosperity of this country.

The 1990 farm bill is a vital issue, not only for the agricultural industry, but for all people of this Nation.

You have heard many suggestions this morning and the written testimony covers WIFE's views on the farm commodity issues. However, I would like to address an issue that heretofore has not been mentioned. Recognition of the farm wife's status. WIFE members are asking for your support to recognize the farm wife as a separate person in regard to Farm Program payment limitations. We are working for legislative change in the ASCS regulation which states "A husband and wife will be considered one person in determining crop payment limitations." The present law discriminates against the wife who works side-by-side with her husband in the daily operations of the farm, and in my case not side-by-side but out there alone many days. It denies them the person status that others, including relatives, can currently qualify for in regard to farm payments.

WIFE has filed a lawsuit against the USDA in 1987 and through the court system, USDA appealed that and then we were ruled against in 1989. We took it to the U.S. Supreme Court to have it considered and it was declined.

So our efforts now are focused on H.R. 2973, the Farm Spouse Fairness and Equity Act of 1989, and it has been introduced by Representative Ron Marlenee of Montana.

WIFE is not asking that every farm wife be given a payment limitation. We are asking that a farm wife who meets the criteria established for other individuals be given a person status and be eligible for program benefits. We are also asking that if a farm wife acquires a farm, she be allowed to keep that as her sole and separate property.

A provision adopted by Congress in 1987 as part of the budget reconciliation bill corrected a portion of this regulation when it did give a farm wife status position if she acquired her land previous to marriage. Women are acquiring land, they are inheriting land from their parents, and yet we see when that land is acquired by the farm wife, it is immediately commingled with the husband's operation and she is not allowed to keep the benefits of her inheritance.

If a father and son or father and daughter can meet the established criteria, they qualify for separate person status. It is just the farm wife who has no opportunity to hold a person status. The present law seriously puts farm wives at an economic disadvantage and discourages women from becoming involved in the farm operation.

Why is it that two brothers who farm together as working partners each have a person status but when a farm wife is working side-by-side, she is denied that?

One of the reasons that we are concerned about this is that we see in the rural communities many divorces taking place and women do come out of those divorces with some land. When they choose to remarry, that land is then automatically commingled with their husband. We are seeing some—I am not coming up with the word I want to use I guess—some thing as far as cost, what this program would cost, and we are saying that only if the farm wife meets the criteria will she be considered for the payment limitation. We feel that if a farm wife has to have a separate Social Security number, if she has to sign the income tax return, she has to have a driver's license, then she should also be able to keep her land under her own name and not commingled with the operator.

The second part of the bill does deal with the multiyear contract payments and I address that. We have asked USDA to come up with a cost of what this program would be and we have not been able to get an answer from them. Perhaps you are aware of that.

I thank you for permitting me to have input at this hearing. May we continue to communicate and respond to one another for the benefit of all agriculture.

Thank you.

[The prepared statement of Mrs. Stuhr appears at the conclusion of the hearing.]

Mr. JOHNSON. Thank you, Mrs. Hall, and I think that WIFE raises a good equity issue on the personhood of the farm wife. I am a cosponsor of the legislation you referred to there and we do not have concrete numbers there. I do not think they would be of any great magnitude, but it is a matter of equity and fairness and we are going to do what we can in the context of the farm bill or outside the farm bill to try to address that issue.

We have a good panel here, and I thank you for your discussion, obviously bringing somewhat of a broad, varied view to farm legislation.

As I understand it, the whole range of farm organizations that we have represented on this panel all basically believe that we ought to stick with a Federal Crop Insurance Program, but that it needs to be improved, I assume largely in the area of yield determination and the extent of coverage.

Is that correct? Did I glean that from all the organizations from American Ag to Bureau and Union and NFO and Dakota Rural?

[Witnesses nod affirmatively.]

Mr. JOHNSON. OK. Do you see that in lieu of—now Secretary Yeutter is indicating to us, OK, if we are going to go crop insurance, that means no more disaster bills. We are going to have to discipline Congress no matter whether it is a Presidential election year in Iowa or not, there is not going to be a disaster. Well we do not know if Congress is actually going to have that discipline or not, but that is what the theory would be. Secretary Yeutter is indicating to us that we can no longer continue to subsidize both crop insurance and disaster bills, doing neither one of them as well as we ought. We have to choose one.

Is that what you are thinking across the range of our ag groups here in South Dakota? Rodney.

Mr. HALL. Dakota Rural Action and Family Farm Coalition want to have some type of protection for the farmers through disaster—we would much prefer the farm commodity where they are given money. But this does not in any way eliminate the need or the right of those farmers to expand their protection through Federal crop insurance or commercial crop insurance, be it private or whatever. This would be in addition. We would urge all the improvements we possibly could make to that to make that choice available to the large producer, to protect themselves as much as possible.

Mr. JOHNSON. Certainly. Dakota Rural Action has a somewhat unique proposal on that grain disaster program that would be in conjunction with crop insurance.

Dick.

Mr. EKSTRUM. Well yes, we support the continuation of the Federal Crop Insurance Program, but I think if farmers have in the back of their mind that Congress is going to bail them out with a disaster program, we simply are not going to see enough participation in the program to make it workable. Some way we have to make it workable if we are going to continue that way, and it just seems as though the two are not compatible.

Mr. JOHNSON. Dallas.

Mr. TONSAGER. I guess I have to agree to that. I think if there was a vote right now on the current Crop Insurance Program, they would throw it out the window. But there needs to be something. If the participatory process of a Crop Insurance Program, if it is adequate, I think that is the route it should be done in. Then a decision is made by the producer whether or not to participate in it, and if the levels are adequate then it is workable. So I think that is probably the feeling I get.

Mr. JOHNSON. Is it fair to say you all support an optional crop insurance as opposed to one that is mandatory for any program participant? Is that fair?

Mr. TONSAGER. That has been made very clear to me by my people, they want an optional program.

Mr. JOHNSON. All right. Norma.

Mrs. HALL. Could I have a comment please?

I think we relate to disaster payment that it is for the farmer and it does go in the farmer's pocket, but I think we have to remember that this benefits all consumers because through that farmer being out there on the land as a family farmer, keeping him in business, is a positive for all consumers because through that way they have been able to have cheap food.

Mr. JOHNSON. Well it has been a very contentious issue, one that we are going to try to resolve this year. The administration is proposing the elimination of crop insurance and then we go to a countywide disaster program instead. For some people that has a certain attraction because obviously you do not have a premium to pay. On the other hand, the coverage is not all that great and if you have a loss, but the county as a whole does not have a loss, you are just out of luck. So it is a political issue and it is one where in the past we have had crop insurance and occasionally we have disaster programs and that does undermine the inclination that people have to sign up for crop insurance if they think they are going to get taken care of for free through a disaster program later on. And then you have some inequities between the payments you receive through crop insurance and disaster payments. So it is an area that really needs some major cleaning up.

I do not sense that Clayton Yeutter has a strong feeling that we need to get rid of crop insurance. We just finished this big commission where they made some recommendations for improvements on crop insurance, it was just delivered to us not that long ago. I think what he is really trying to do is to send a signal that we need to get off the dime and make a decision and either go one way or the other. And if we go to an improved Crop Insurance Program, I think he is willing to go ahead and support and help to create that. But I think he is sending us a strong signal that we cannot continue to float along doing both as we do now.

I want to say thank you to the panel and let us have the next and final panel to come up, and then we will have an opportunity for statements, testimony, from anybody who simply has a comment to make.

Despite the fact that Mr. Glickman is on his way to El Salvador at the moment, this remains an Agriculture Committee hearing and the comments and statements you make are on the record to be taken back to Washington and incorporated into the hearing record for the Agriculture Committee. So do not feel that why should you stick around just to talk to old Congressman Johnson, you have talked to him many times. This is an opportunity to really go on the record for purposes of taking it back to Washington.

The next panel involves Ms. Angela Ehlers, who is executive secretary of the South Dakota Association of Conservation Districts; Mr. Eugene Paulson, who is a representative of the Sustainable Ag Coalition; Mr. Rick Heintzman, who is president of the South Dakota No-Till Association and Ms. Marie Fisher, who is a producer and very active in agricultural issues in a number of capacities from the Winner area.

Let us take it in order of the names listed on the panel, and Angela, introduce yourself and again, if we can get the staff to use the green and red lights so we can keep track of that, we will move forward.

Angela.

STATEMENT OF ANGELA A. EHLERS, EXECUTIVE SECRETARY, SOUTH DAKOTA ASSOCIATION OF CONSERVATION DISTRICTS

Ms. **Ehlers**. Thank you, Congressman Johnson, my name is Angela Ehlers, I am executive secretary for the South Dakota Association of Conservation Districts and a member of a local conservation district board of supervisors.

We thank you for this opportunity to express our views regarding the 1990 farm bill. We are very concerned that a balanced Federal program be written to meet the current and future needs of producers and consumers. The conservation provisions of the 1985 Food Security Act dramatically affected all producers. We feel these programs gave producers new opportunity to positively impact the environment without jeopardizing their operations. The progress we have achieved through these provisions should be continued with some revisions.

Under conservation compliance, the planning portion of conservation compliance is basically completed and accepted. According to a survey recently conducted by the Soil and Water Conservation Society, 80 percent of the producers who have obtained a plan said the plan was reasonable and practical and will have little or no economic impact on their operation. However, implementation of these plans will require additional technical assistance and funding. The same survey noted that implementation and monitoring workloads will probably exceed the actual staff currently available as over one-half of the producers will need technical assistance in implementing these plans and 60 percent will need public cost-share for implementation.

Under current rules, every farm must be in compliance in order for a producer to be eligible for program and other Federal benefits, even though a landowner may prevent a tenant from applying an approved conservation plan on rented land. The new law should not require offsetting compliance, so that the producer would be ineligible for program benefits only on those farms which are out of compliance with the erosion reduction requirements.

We have long argued the current farm programs hinder total resource management. We would like to see mandated use of multiyear set-asides along with base protection for farmers who choose to provide public benefits, such as wildlife habitat, water conservation, water quality, et cetera. We also believe that commodity programs need increased flexibility. These programs should be designed so that farmers can meet their conservation goals without being placed out of compliance with commodity programs. This includes flexibility with crops and cropping patterns.

We feel the Conservation Reserve Program was a basically strong concept and merits continuation with some revision. The first item is to evaluate the effectiveness of CRP in controlling erosion and fine-tune the program to make it more effective in reaching its original goals.

The eligibility requirements for entering CRP should be expanded to consider other resource problems, including environmentally sensitive parameters such as sinkholes, filter strips, wetlands, aquifer recharge areas, well-heads, ground water protection areas, windbreaks, shelterbelts, wildlife habitat protection, and areas that would prevent a farmer from meeting other required State, local or Federal required environmental goals if he continued to produce commodities on them.

Land currently enrolled in the CRP will begin leaving the program in 1996. In order to continue the benefits achieved under this program, we suggest that producers have the option to rebid for an extended contract of 3 to 10 years. If the producer elects not to produce a crop on expired CRP acres and maintains the existing cover crop, the preservation of base history should be extended for a period of not less than 5 years. The producer should also be allowed to designate land formerly under CRP contract and not cropped as ARP acres.

SDACD supports addition of language that clearly states that conversion of wetlands is allowed without penalty if an approved mitigation plan is developed. That mitigation would entail the restoration of previously converted wetlands of equal size and within the general area back to a natural state. This would give farmers management options not clearly available in current language while protecting the total resource.

As with sodbuster provisions, we feel ASCS needs limited flexibility to set penalties for swampbuster violations commensurate with the degree of violation.

We also recommend amending current swampbuster statute to clearly state that conversions of wetlands of a size considered negligible to the total resource or a type 1 wetland will not cause the landowner to be ineligible for Farm Program payments. USDA will establish in consultation with local and State conservation agencies the maximum size of the wetlands to be eligible under this exemption.

Rather than placing USDA's entire emphasis on LISA, we feel the concept of integrated crop management should be considered. Farmers who choose to follow an integrated crop management system should be able to do so without being penalized by commodity programs. This would have to include planting flexibility and base protection.

We also have an extended program for water quality and quantity protection within the United States. Recognizing its role in protecting our Nation's water supplies a coalition of ag commodity groups and general farm organizations, with assistance from the National Association of Conservation Districts, has developed a cooperative water pollution prevention strategy focusing on nonpoint pollution from ag sources. We provided you with that at an earlier date.

This strategy is consistent with State nonpoint source management plans and we feel should be utilizing the expertise and delivery network of local conservation districts.

Thank you for this opportunity.

[The prepared statement of Ms. Ehlers appears at the conclusion of the hearing.]

Mr. JOHNSON. Thank you.

Gene.

STATEMENT OF EUGENE PAULSON, MEMBER, BOARD OF DIRECTORS, NORTHERN PLAINS SUSTAINABLE AGRICULTURE SOCIETY, ON BEHALF OF THE MIDWEST SUSTAINABLE AGRICULTURE COALITION

Mr. PAULSON. Congressman Johnson, I am Gene Paulson, I am an organic farmer from northeast South Dakota and a member of the board of directors on the Northern Plains Sustainable Ag Society and I am here representing the Midwest Sustainable Ag Coalition.

Our position paper is long and I am going to try to make my speech short. We have a couple of items that we feel are extremely important to organic and sustainable farmers in the State of South

Dakota. One of them is that we feel we need a normal crop acreage type system for acreage base.

We feel, however, that something has to be done to eliminate the problem of when you do that you kind of put an open season on the crops that most of us produce that sustain us. Consequently maybe there is a possible way to put a target price and a loan system on the crops that are going to come into the open season position.

My farm has about a 40-percent crop base and of course I survive on the nonprogram crops with a market-oriented price for them. Normal crop acreage by itself or like I say, open the season on those crops and I would be in a position where without the base to collect the deficiency payment on, I probably would not be able to keep going.

Like I say, we believe that this problem could possibly be solved with a target price on the crops that are not in the program at this time.

We also feel that targeting Government payments to small- and moderate-sized farms is a very important item for the 1990 farm bill. We are concerned that we are going to lose our free university out here that trains our farmers. Twenty years from now we may not have any farmers. We urge you to support Senate bill S. 970, and House bill H.R. 3552, which both support sustainable farmers in our State.

We feel that the clean air concern mandates some kind of move in this direction.

We feel it is important also to level the playing field between the sustainable farmers and the conventional farmers and these bills will both help to do that.

Our written statement, like I said before, goes more into detail on these items and again we thank you for this opportunity to testify at this time.

[The prepared statement of Mr. Paulson appears at the conclusion of the hearing.]

Mr. JOHNSON. Thank you.

Rick.

STATEMENT OF RICK L. HEINTZMAN, PRESIDENT, SOUTH DAKOTA NO-TILL ASSOCIATION, INC.

Mr. HEINTZMAN. Congressman Johnson, it is a privilege to be here.

The South Dakota No-Till Association will go on record to support conservation provisions in the 1990 farm bill. We are looking for measures that reward farmers who practice no-till methods instead of penalties.

The CRP program in its infancy appeared like a good program. Now years later, the inequities show up. Cash rent has increased from 30 to 75 percent. The reason, the CRP payments are more than twice the normal cash rent per acre. Farmers are now in direct competition for lease land. The producers with a CRP budget still want to farm the same amount of acres they had earlier.

Low Input Sustainable Agriculture [LISA] and Maximum Economic Yield [MEY] are two acronyms widely used today. In our opinion, they have the same meaning. We are sustainable if we are producing economic yields while protecting the soil from wind and water erosion.

The South Dakota Non-Till Association holds two workshops a year to educate growers on proper rotations and other related subject matter. Producers can see first hand how rotation of crops can reduce the use of chemicals. Proper timing and growing conditions of the crop are very important factors in determining which, if any, chemical to use. Economics, being the leading indicator, dictate the low or one-half labeled rates of active product used. The option to use labeled chemicals, if needed, should be flexible.

Crop insurance or a disaster package—that is the question. A disaster package has its faults because county lines instead of geographic locations set up the eligibility for aid. As an example, the county I farm in, there is a rainfall difference of 1.92 inches over a 30-year average. In a rain belt of 17 inches per year, an additional 1.92 inches can mean the difference of net profit or loss. An example: It takes 4.6 inches of water to get wheat to head out. Then each additional inch of water you receive in a 77-day period equals six bushels. So six bushels at $3.50 per inch equates to $40.32. Now we add drought to the same problem. There is a direct imbalance from one side of the county to the other. Also, more CRP acres in one area of the county will increase the chance of grasshopper infestation. The producers in this case do not have any personal crop protection.

FCIC needed brain surgery, not an abortion.

There were a lot of problems with the crop insurance, but there are solutions. A properly written program will be self-sustaining and here are some suggestions:

One, put FCIC back in the ASCS office.

Two, subsidize our premiums on the first 50 percent of coverage. The grower then assumes financial liability for the 65, 75, and 85 percent option.

Three, Winter wheat and Spring wheat in South Dakota should be two separate policies.

Four, no-tilled Winter wheat should have a premium discount as an incentive because Winter survivability increases when planted directly into standing stubble.

Five, drop the "T" factors for actual production history.

Six, set guidelines for FCIC Program before July 1 deadline.

The South Dakota No-Till Association, Inc. strongly urges your help in reinstating FCIC immediately with the needed changes to provide a solid sustainable program.

In closing, thanks for this opportunity.

[The prepared statement of Mr. Heintzman appears at the conclusion of the hearing.]

Mr. **Johnson**. Thank you, Rick.

Marie.

STATEMENT OF MARIE E. FISHER, PRODUCER, WINNER, SD

Mrs. **Fisher**. Thank you, Congressman Johnson, for being here and for permitting me, as part of your Agriculture Committee, to testify here today.

My name is Marie Fisher. I am a mother, grandmother, widow, and a farmer. I also hold offices in several farm organizations in the State. I am testifying here today on behalf of myself and my family as farmer producers.

First, because we are in a drought area, our pastures are very grubbed out and in need of a rest, so we would very much like to be able to plant our set-aside acres to a feed crop that we can either hay or graze this summer for our livestock. This is especially necessary in counties that were declared disaster areas last summer. Hopefully we will get moisture this spring but conditions are very dry now.

In the 1990 farm bill, we would like to have a bushel-pound allotment based on our acreage base. We would get certificates which would enable us to sell a specified number of bushels or pounds of crop. This would eliminate having to plant a crop on a piece of ground that is not satisfactory for that crop, thus requiring us to use more chemicals and fertilizer to get a crop from that piece of land or lose crop base. Our main crops are Winter wheat and milo. We also have a sheep operation and a hog finishing operation.

We want to do the best job of conservation farming possible but still have a profitable operation. Another benefit of the bushel-pound allotment is that in a good year, we would raise excess grain that would be stored to sell in a year when we have a short crop, thus we would, to some extent, carry our own crop insurance.

We planted oats the last 2 years—but it was so light that—there is not even a market for it, we cannot sell it. Winter wheat, we raised a reasonably good crop on 3 inches of rain, that is all the rain we had up until we combined. We were quite surprised when we went out to combine.

We have worked hard over the years to build up our crop acreage base and are very opposed to the whole farm acreage base concept where any crop can be planted on the farm's crop land base. One of the main reasons for that is in the eastern part of the State you can raise a lot of crops that we cannot raise in the western areas. Over the years, we have found that Winter wheat is our most profitable crop and our second crop is milo, although corn is getting to be better here recently.

We are also opposed to the GATT talks being able to control the United States Farm Program. There is not a free market and it certainly will not benefit the U.S. family farmers. It will just make the United States the dumping ground for the world and break the American family farmer producers. We need cost of production plus a fair profit.

Ethanol promotion should be continued in the new Farm Program. It is a renewable product that protects the environment, helps the balance of trade and increases the farmer's income, thus the economy of the Nation. We are opposed to lowering the oxygen content of oxygenated fuels. Since ethanol became available for farm delivery in our area, we have been using it in all of our gasoline burning motors with good results. The by-product, distilled grain, is a good high protein human food and is an especially good food to give to starving people around the world who are short of protein. I think that is something that should be stressed much more than it is.

There are laws on the books that are supposed to prohibit corporations like IBP, Cargill, and ConAgra from controlling the food industry, especially the livestock part. Livestock waste is a big pollution problem for the large feedlots. That is one of the reasons why livestock should be fed by the family farmer. When livestock is fed on the farm, the farmer uses the livestock waste products for fertilizer thus cutting the need for commercial fertilizer. The cost of road repair is cut because the grain and fertilizer are not hauled by the big trucks. The farmers has a chance to make more profit when the big three are not controlling the industry and the consumer will profit in the end because there will be a competitive market. This all works into the concept of LISA. A diversified farm operation can be most profitable when livestock consumes part of the crops raised on the farm and their waste is put back onto the land for fertilizer. This cannot happen until such time as the control of the food industry by the big processors is reduced. Country markets can easily drop substantially when one of the big corporations is not buying livestock that day. Most farmers and ranchers cannot take that risk so now they are forced to sell their grain to the elevator to be shipped out and their livestock to the big feedlots and then bring in commercial fertilizer for their fields.

As a widow, a farm owner and a farmer who does not want to lose her rights, I ask that you support H.R. 2973, the Farm Spouse Fairness and Equity Act as part of the 1990 Farm Program.

Thank you for letting me testify here.

[The prepared statement of Mrs. Fisher appears at the conclusion of the hearing.]

Mr. JOHNSON. Thank you, Marie.

Well I appreciate again the comments of this last panel. I think several of you touched on a real concern, and that is chemical use, ground water, and what we are going to see happening. The administration is proposing a major reorientation of the CRP program away, really, from an emphasis on highly erodible soils, which is what we have gone through since 1985, to much more of a protection of ground water orientation, so a lot of soils which are not erodible, but which do overlay vulnerable aquifers, would be eligible for CRP. They are also talking about permitting farmers to extend their base history at the end of their CRP contract, if they agree to keep it in grass and continue to keep it out of production.

Some of these issues are being addressed. One of the most controversial questions we are going to wind up dealing with is whether we are going to approach chemical use and ground water protection in a voluntary education kind of approach or whether, as some environmental organizations would have us do, go to a very strong chemical plan sort of orientation where you have to go to your ASCS office, file a plan, keep very close records and you would be permitted to use some chemicals, some you would not. And there would be very strong penalties attached to it. And it would be, administratively, a very intense kind of approach, but there are a great many in Washington who want us to go in that direction. I am currently a sponsor of H.R. 3552, which is the voluntary kind of thing. I think all of us acknowledge that these problems do exist, but we want to respond to them in a way that does not tie our hands as producers.

Does this panel here—if you had your options, would you in one way or another all agree to keep the CRP plan and continue additional sign-ups in future years, or is there some disagreement on that?

Mrs. FISHER. Tim, in my area, there is too much land going into CRP that actually does not qualify.

Mr. JOHNSON. That is an administrative problem then.

Mrs. FISHER. Yes. The guy was doing it there—I know a neighbor there, a good friend of mine, who figured on retiring. He asked him, "Do you want to retire?" "Yeah." "OK, we will put it in."

Mr. JOHNSON. Angela or——

Mr. PAULSON. I have a little problem with CRP and I kind of think that probably the present land that is in CRP should be continued rather than to try to replace that with other land, for a couple of reasons. One, we already have the expense of establishment of the cover and another reason is that when you move the CRP land, you move the damage that CRP has done to our rural communities. There is not much we can do about what has already been done, but if we keep the CRP in the area that it is in, at least it will not transfer the damage to a different community.

Mr. JOHNSON. Angela.

Mrs. EHLERS. I want to speak to two viewpoints. First, I want to speak as a member of a local conservation district in a county that has totally received their CRP, we have the 25-percent limit. It has affected the economy of the county a little, but when you figure that the entire county is eligible for the CRP, it has made some difference, we have seen a drop in erosion, it has been beneficial. CRP is a two-bladed sword. It is going to have effects economically but it is also going to provide some benefits. I guess I disagree with extending the CRP contracts way out there. There are a lot of opportunities for water resource protection under CRP and we have some areas that definitely could do it.

There was a bill that was entered in the South Dakota legislature this year to require a 50-foot vegetative strip along every lake and stream in South Dakota. I think you probably read that. That idea was brought forward by some people that probably had some good intentions, but it is not workable. But if we allow filter strips under CRP we get the same benefits on a voluntary basis.

Mr. JOHNSON. We currently allow filter strips under CRP on——

Mrs. EHLERS. On highly erodible land.

Mr. JOHNSON. It does not have to be highly erodible but it has to be next to a waterway.

Mrs. EHLERS. Right.

Mr. JOHNSON. I do not think it has been a widely used program.

Mrs. EHLERS. Not as much as it could be.

Mr. JOHNSON. But it is available.

Well the CRP is an issue that really—the opinions vary enormously as I go across the State. Senator Daschle and I held eight meetings around the State a few weeks ago on the ag bill and there are some areas of South Dakota where it is just wildly unpopular and there are other areas where it is a pretty popular program. It cuts both ways. To some degree it does penalize some good conservation farming and reward bad conservation farming. In some areas where there is a great use of the CRP, I think people tend to blame it for loss of implement dealers and damage on the Main Street. There are some highly visible instances where people have put a lot of land under CRP and gone down and tore up new land, not to mention drive up rents for younger farmers. On the other hand, it has taken a lot of highly erodible land out of production that should never have been torn up in the first place. So in terms of habitat and so on, it has been useful in many regards.

Washington is really taking a hard look at this. It has been really a pretty expensive way to get erodible land out of production in the view of a lot of people, especially on the east and west coasts, who look at our land—and most of the CRP acreage, frankly, is in the northern Great Plains. It is not as attractive in Illinois and heavy Corn Belt States, the payments just are not that attractive, but in our part of the country, we have a lot of eligible land and the payments are somewhat more attractive. You get some guys from nonrural areas saying well wait 1 minute, we are going to take $40 an acre for 10 years, that is $400, to this guy and you could have bought the land for $200 an acre. So there is some stepping back and looking at it and reassessing what direction should CRP be taking and I think the administration clearly wants to go more in the direction of protection of water and aquifers and tree planting, I think, rather than some of the emphasis we had in recent years.

But we have more acres in CRP now than we had in the soil bank at the high water mark of the soil bank, so it has been a big program.

So thank you to this panel.

And what we will do is just open up the mike for anybody who has comments that they want to make at the podium here. I really would prefer that you use the podium for two reasons. One is just so everybody else can hear you, but second and equally important, that is where the mike is for the reporter for the Agriculture Committee. So there are two mikes up there, one just to hear you better in the crowd but second so that we make sure that your comments are recorded properly for the Ag Committee record. So it is important to use that. And the only other comment is obviously we have a number of people here and there are some time constraints, so I would again request that people keep their comments fairly brief and to a limited number of issues.

But with that, let us go ahead and just open this up to anybody who has a comment that they want to express.

STATEMENT OF GENE HARTSOUGH, FARMER, CONOVA, SD

Mr. Hartsough. My name is Gene Hartsough, I am a farmer from Conova, South Dakota.

I do not understand Congressman Glickman's remark when he said that loan rates would be an impossibility to be raised in the Congress. In our view, this is probably one of the most cost-effective tools that we do have. It is a proven fact that market prices, generally speaking, follow the loan rate. This—by raising the loan rate would automatically raise the income that some farmer or rancher could receive.

I would appreciate it, if you would consider it, ask for a show of hands of those that would want the loan rate raised.

Thank you, sir.

Mr. **Johnson**. Well thank you. We will do that. I do not want to put words into Chairman Glickman's mouth, but I think what Dan was saying was that he could support some increase in loan rates and that some of that may occur. I think he was saying do not look to a real significant increase in loan rates, because clearly the administration is absolutely opposed to it; if anything, the administration would like to go the other way. And what I think he was just trying to do is to express some political reality, that with the two-thirds vote required to override a veto, do not hold your breath waiting for radical changes in the loan rate. But I think that is all he was really trying to say.

Mr. **Hartsough**. Well, see, what we do not understand, Tim, is this is not a grant, it is not a gift, it is a loan that we either forfeit our grain, due to the fact that for whatever reason our market price has gone down, but generally speaking the loan has been paid back and we pay it back with interest. So it is not—but as I say, for some reason it seems like the public thinks that this is a gift or a grant and it is not.

Mr. **Johnson**. Well you know where I stand on it.

Mr. **Hartsough**. Yes, sir, I do.

Mr. **Johnson**. I support an increased loan rate, I think we can drive up market prices. But let us have a show of hands here and I will state it relatively neutrally. Those who favor an increase in loan rate and feel that it will drive up market prices—the U.S. loan rate does tend to have a significant impact on international grain prices, it will drive up the market price, reduce the Government's exposure to deficiency payments so farmers can make a better living at the market and less reliance on Government payments and the taxpayers save a few bucks. On the other side, the administration would say if you drive up the loan rate and drive up market prices, we can become much less competitive in the world market, we export up to 60 percent of our wheat, we are going to lose all those markets, if you have a high domestic market price, you can make up some of that with export enhancement subsidies and so on. But those who support a higher market price say you can take care of that through GATT talks and multinational agreements on overall levels of production. But those are the two sides and I think that is almost the most fundamental difference of opinion on ag philosophy and so I guess there is no point in my trying to go on at length about explaining both sides.

But let us give you three options; increased loan rates, freeze the loan rate where it is at or continue a downward decrease in loan rates on the theory that we will make more money by selling a higher volume with a lower price.

How many would support increased loan rates.

[Show of hands.]

Mr. **Johnson**. About 58.

How many would say freeze the loan rate.

[Show of hands.]

Mr. **Johnson**. OK, a couple.

How many would say let us lower the loan rate and really move this grain into the international export market.

[None.]

Mr. **Johnson**. OK, none.

So there tends to be pretty overwhelming support to increasing loan rates. Obviously if you lower the loan rate and make up for it with a higher target price, then some people may have a different opinion, but we know what is happening to target prices and what the pressure is there.

STATEMENT OF MARVIN KELLEY, FARMER, HURON, SD

Mr. **Kelley**. Tim, I do not have much to say.

Mr. **Johnson**. I cannot believe that. [Laughter.]

Mr. **Kelley**. I am Marvin Kelley, a farmer here in South Dakota and I have a few things to say about the Federal Crop Program. I hear there is a chance of changing yields back to a 5-year average, which if you lost one whole crop, you would lose 20 percent of your yield and they are already too low.

Another thing, your ASC yields are cut when you cannot prove up a yield and ASC yields are too low.

So I think they should at least, in the years when you cannot prove up your yield, when you are buying Federal crop, you should be able to use the ASC yields.

Mr. **Johnson**. You are saying it is not good enough to draw your highest yield and draw your lowest yield, that you still wind up——

Mr. **Kelley**. They do not do that, Tim, they take a certain percent of them. I am from Beadle County, wheat is 91 percent of your ASC yield off your 476 and corn is——

Mr. **Johnson**. This is for FCIC purposes?

Mr. **Kelley**. Right. And we are sitting at a 21-bushel yield in Beadle County, average, and that is way too low.

In corn, they cut more than that, they cut it down to about either 82 or 84 percent and we are running around 40-bushel yield in Beadle County on corn. And that is way too low.

And also 50-percent coverage should not even be available because it is too low. I think the Government should support Federal crop, subsidize the payments—or the cost, more than they do and up to at least the 75-percent level, because to buy Federal crop between 65 and 75 percent, is about double. And if you get down to 65 percent, you are not hardly getting enough money to make it pay. So I think it should be subsidized so that 75 percent should not cost you so terrible much money.

That is all, thank you.

Mr. **Johnson**. Thanks, Marvin.

Let us take a show of hands here. How many, given a choice, would support crop insurance over a county-based disaster approach. How many support crop insurance?

[Show of hands.]

Mr. **Johnson**. Well maybe I had better ask how many favor a countywide disaster program?

[No response.]

Mr. **Johnson**. None. OK, it is overwhelming support in the crop insurance direction. But you have to improve it. I know this is kind of a tricky question because ultimately the bottom line for everybody is how much are the premiums and how much is the coverage, and that we do not really know.

For comments, we are going to have to have you come down and say your name, otherwise we will not get you properly recorded on the Ag Committee record, at the podium.

STATEMENT OF JEROME JOHNSON, FARMER, GARRETSON, SD

Mr. J. **Johnson**. We thank you for coming back to Dakota and bringing the chairman with you again. It shows us your interest in our area of the country.

I am not going to comment on any specific program this time, but I guess I have failed to see—oh, I beg your pardon, Johnson—I fail to see and nobody has ever showed me where lowering the price of our commodity has gotten us any more market share around the world. Therefore, I see the need to raise these low rates, raise the price of our commodities across the board in the world market.

We talk about sometimes parity and people look at us like what kind of rock did you come out from under. And yet it was interesting to note last week, I was reading—and I am not going to start debating congressional salary increases here, but——

Mr. **Johnson**. Talk about parity.

Mr. J. **Johnson**. But I thought it was interesting to note that one of the reasons they gave for the increase in salary, that they needed this, was to put Congress and the other Government employees on a parity scale with the other executive branch. Now I just wonder why it was necessary that they should be on a parity scale with the rest of the executive branch and the farmers should not be.

We realize also, Tim, that it is a political reality and as Glenn English told us last week out there, we are out-numbered 9 to 1 but I think we have to sell the American people on the parity concept, what it will do for them across-the-board. And I think this whole thing boils down again to communication. I think that if we can get a decent price out of the marketplace, a lot of the programs that we have been talking about here today, we can do away with.

Thank you.

Mr. **Johnson**. Thank you.

Mrs. **Fisher**. I am Marie Fisher, you have my information already.

One of the things I want to bring out and I do not have much experience with crop insurance. We only had it for 2 years. But I have a piece of land that is in a hail strip. Now I want to be sure that whatever program you have, it will protect us who are just a small area where the hail goes, and not depend on the whole county or something. Like I say, I do not know much about it.

Mr. **Johnson**. It is my understanding that the crop insurance debate would leave the hail insurance as a separate program, as it is now where you buy hail insurance on $1 value and that would be left alone.

STATEMENT OF LARRY J. KOTTEN, CROP INSURANCE REPRESENTATIVE, OVERHOLT CROP INSURANCE

Mr. KOTTEN. My name is Larry Kotten, I live in Sioux Falls. I am originally from Minnesota and I came out to South Dakota to farm because early 1980's Minnesota land was quite high and by 1983, actually I did not make it in farming out here. Back in 1983, I was farming and selling part time Federal crop at the time. I really did not sell any because of the "T" yields and this type of thing. What has happened for me in the industry, I am currently still in the industry, is for myself, to give you an example.

Yesterday from 8 in the morning to 2 in the afternoon, I was at a family farm proving up their yields. I have to do this with every farmer to make sure that they do get a decent guarantee, otherwise the programs are as worthless as the paper they are written on. What happens in the industry for other agents when they sell, whether it is life insurance or health insurance, as a multiline agent, they have to make a business decision. Should I spend 10 hours with the farmer to make a living or should I spend 20 minutes with them and sell them a different product. Because of the evolution of what has happened in the crop industry, this is why I feel we have some low participations in other parts of the country. And also, you take a farmer over in Iowa that has a 200 bushel average, take that times 65 percent, assuming he has proved up his yields, he only has 132 bushel guarantee, he will not purchase it and I do not blame him.

I guess what needs to be done is the guarantees need to be moved up. We need to have something from my end of it where I do not have to go through the redtape to do that because I have farmers that come to me April 15 and say hey, I want to buy from you because I know you will spend 8 hours and prove up my yields. I have to turn around and tell them I cannot take the business, I will not get my reports filed in time and if I do not get them filed on time, they will go right back to the "T" yield. It is a catch-22.

Then we have the other side of the coin where the financial institutions are going to these farmers and saying hey look, you borrow your money from me, we have been good to you and we want some other collateral and we are going to set you up on multiperil Federal Crop Program. They spend 10 minutes with them, they do not have any coverage per se, they are going to have a low guarantee, and not only that, they have a higher premium in most cases because the better your guarantee, the better your yields, your cost of insurance goes down.

So there is definitely some room for improvement and the farmers have been short-changed for 10 years. I farmed, I was short-changed. We definitely need to make a change.

Mr. JOHNSON. What would you do to change that?

Mr. KOTTEN. Well I guess I do not have the actual answer. I guess one of the things is use the ASC averages, but by the same token, the ASC is off. They are from—when I prove up a farmer's yield, they are from 5 to 10 bushels off and it can be high and it can be low. We need to come up with some ruling that would say that this average county, if you are an average farmer, will give you 85 bushels, so let us use that number on all the farms. But the argument on that side of the coin is all right, you have Joe Farmer over there that does not do good farming practices, now he is going to take advantage of the program. And we had a lot of discussion on this and we do not know how to solve it either from an industry standpoint, but I am glad to hear that we are discussing it. The ball is in your court I guess.

Mr. JOHNSON. Well, as this evolves, stay in touch with us and we will see what does come about.

STATEMENT OF ALLEN K. THAMS, FARMER, DENISON, IA

Mr. THAMS. Congressman, my name is Allen Thams, I am an agribusinessman and a small farmer from Denison, Iowa.

I want to share a little bit of urgency on the multiperil crop insurance. Various States have time tables when the private companies have to notify their insurers as to a cancellation on an upcoming policy. Waiting to get this enacted into the farm bill is going to be a little bit too late because some of the States with fall seeded crops in 1990, without a vehicle in place for 1991, means some cancellations possibly as early as May or June. There has to be—I realize we cannot correct the problems in the multiperil crop insurance industry overnight, but there has to be something done in a short period of time or we are going to have some lenders out there that are not going to be sticking with the operators out on the land.

Mr. JOHNSON. That is a real problem. I will share that with Glenn English, who is chairman of the Conservation and Credit Subcommittee, that has jurisdiction over crop insurance. It is a timing problem that is unique because of the 1985 farm bill expiring at the end of this year. But it is a real problem in that we have not even reached a consensus about whether there is going to be crop insurance. But there may be some interim emergency step that can be taken to address this problem.

Mr. THAMS. The Federal Government has to get involved and supersede what the State laws are, there has to be something done because there could be a lot of people without the product that is keeping them in business.

Mr. JOHNSON. All right, thank you.

STATEMENT OF ROLAND L. GEYER, CROP INSURANCE AGENT, NATIONAL AGRICULTURE UNDERWRITERS

Mr. GEYER. I am Roland Geyer from Storm Lake, Iowa. I have been a Federal crop insurance agent for over 32 years and a farming experience of 41 years.

I have seen an awful lot of changes in Federal crop insurance in the last years. We are on the right track for the program that we have. A lot of our hollering is because our yields are too low, our guarantees are too low. The biggest cause of this is that 50-percent level that some of them are forced to buy, you do not have anything. So they are very dissatisfied. Also with the 65-percent level, a lot of them are carrying it because it is cheaper, because it is subsidized 30 percent. I would like to see the 75 percent full subsidy of 30, they would have a lot more protection and be a lot more satisfied.

Another one, if we have disaster and can payoff billions of dollars of taxpayers' money, why not use a little bit more of that and subsidize the crop insurance a little bit more and have it the only ball game in town. If they want protection, it is there and if not, then that is their fault. But a lot of the big operators make big donations to campaign funds and they do not carry crop insurance. So as soon as their crop is low, they holler and naturally if it is election year, it gets passed pretty fast with a taxpayers' handout.

Back on the APH, I think that is a real good deal. We got a lot of it started and I would sure like to see the 10-year plan stay in because like the one man said, in 5 years if you have 1 bad year, it would pull down your guarantee pretty fast.

So that is my statement there, I think it is on the right track and I think the Crop Insurance Program is the one to take.

Thank you.

Mr. JOHNSON. Thank you. There seems to be good support for crop insurance here. I think it is important to keep in mind though that when we do the disaster bills and you can say they are good, bad, or indifferent, there is no new money put into the disaster bills we passed the last 2 years. What has happened is that the disasters have been of sufficient magnitude that it has driven up temporarily market prices and that reduced the Government's exposure to a deficiency payment and so we took a savings that was already in the ag budget and redistributed it in the form of disaster payments. So neither of those disaster bills that we passed the last 2 years required any new appropriations, there was just a redistribution of deficiency money that had been planned to be used for that purpose.

STATEMENT OF RICHARD NEGSTAD, FARMER, VOLGA, SD

Mr. NEGSTAD. Representative Johnson, I am Dick Negstad, a farmer in South Dakota. I apologize for coming late, I was at another meeting in Brookings this morning.

Is it all right if I change the subject to the farm bill itself, the new farm bill? I do not know if you tried to complete that and go on.

Mr. JOHNSON. Well we are talking mostly about the farm bill, but if it is ag related, I think it is appropriate for a brief comment.

Mr. NEGSTAD. Well this is about the new farm bill. I have my own idea, I know everybody else has an idea about how the new farm bill should be, but I would like to tell you how I think it could be done.

I think the new farm bill should do three things basically. It should provide flexibility, particularly for the farmer; it should be easy to administer for everyone; it should increase conservation of natural resources.

These three points could be accomplished by a production reserve. Currently we have a conservation reserve which is generally well accepted by rural and urban people alike. The production reserve could have some of the same characteristics as the conservation reserve does.

It could require land in the reserve to be seeded to perennial cover; it could be for more than 1 year and it could reduce production and thus limit surpluses.

I would suggest that the production reserve would require any participating farmer to have whatever his appropriate acreage in a conserving use, it would have to be seeded down to a grass or legume, and be paid for this reserve. The amount paid should be high enough to really encourage participation and provide the desired amount of Government support. The payment rate to do this would have to be approximately 2 or 3 times the current cash-rent rate in a particular area. There would need to be protection in the farm bill so that tenant farmers can participate and not be negatively affected.

There also should be strict limits on how many acres a farmer can place in this reserve, probably limited to an acreage that would provide a payment of say $30,000 to a particular farmer. Also, the farmer should be required to place some of this reserve on, for example in eastern South Dakota, each quarter section of land so that not only poor land is put in the reserve. In the past farm bills when there have been idle acres or whatever you want to call them, farmers have tended to buy or use a piece of poor land to put into idle acres, I do it myself, it is only logical. This should be limited, however, so that it really does limit the surplus. It kind of defeats the purpose when you put a slough in the reserve. The farmer should also be permitted to contract the land into reserve for more than 1 year, maybe 3 to 7 years, so that it does pay to seed it down. Under the present thing where it changes every year, you do not know what is coming the next year, how can you plan ahead. We are told over and over again to use crop rotations and plan ahead but every year a new set of requirements come down on us. How can we do that?

Another option, I would suggest that there be—for an extra payment the farmer would receive, that he would open it up to hunting so that there would be more use then by people that do not live on the farm. This would be an option, not required, but if a farmer is willing to for a certain amount of extra money, he could open it up to hunting and this would improve rural/urban relationships.

In my opinion, the only other segment of a Farm Program needed then would be a loan program and I would suggest leaving the loan program rates low enough so that you do not produce for the loan. Leave it less than what it sells for. Basically loan rate is a temporary financing measure that you can get the money faster if you want to hold the crop to sell later on. But leave the loan rate low enough so that you do not produce to fill the bins.

The farmers are the primary group hurt financially by surpluses so filling all the bins across the country hurts farmers and should be avoided. If there is to be a grain reserve program, make it such that the farmers get the benefit and not elevators. Not that I am against elevators, they need some of it too, but presently farmers are paid less to store grain per bushel per month than are elevators.

This farm bill would have no acreage bases, no crop yields, treat everyone equally. Another problem with the present system, everybody has a base and a yield. Some of these bases and yields are close to accurate, many of them are way off. People are treated differently and I do not think we need to do that. This kind of a bill would be simple, it would save both farmers and ASCS a lot of time. Presently you almost need to have a certain day of the week set aside to go into the ASCS office and figure out what you are supposed to be doing.

Also, a farmer could plant anything they wanted this way. In other words, if I want to plant all corn, I plant all corn. If I want to plant oats, I plant all oats. Or if I want to leave the whole farm idle, I would still qualify for my benefit. In some of the wet years, we did have people actually using airplanes and stuff like that to get a crop seeded so they could state it was seeded and therefore be eligible for their benefits. That is ridiculous, we are trying to cut down surplus. What have a Farm Program that forces people to plant things. To me this would be simple and I think it would do the job.

Mr. Johnson. If you have a written statement on that, please submit it to us so we have it for the record.

Mr. Negstad. Thank you.

[The prepared statement of Mr. Negstad appears at the conclusion of the hearing.]

STATEMENT OF RAY STRUNK, FARMER, IRENE, SD

Mr. Strunk. Well, Congressman Johnson, you certainly know me and for the rest of the people in the audience, my name is Ray Strunk, I am from Irene, South Dakota and I am an awful tough hided old boy. I have survived everything; the Government, the weather, but I have done an awful lot of thinking lately and I am going to ask this group today, can you actually tell me what the Government Farm Program has done for the American farmer? I will bet you nobody here can tell you.

Now I want to tell you, it has made slaves out of us, and that is unconstitutional. Abe Lincoln was an honest Republican and he abolished slavery in 1860. [Laughter and applause.]

Mr. Johnson. Ray, I wish you would not just walk around it, I wish you would tell us what you really think. [Laughter.]

STATEMENT OF LaVERN A. WALTER, FARMER, HOWARD, SD, AND MEMBER, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE COMMITTEE

Mr. Walter. Congressman Johnson, thank you for the invitation. My name is LaVern Walter from Miner County. I have two proposals, not very lengthy—it is my job as part of the ASCS committee to enforce the regulations that the USDA sends down to the State and then to the county and one of the toughest ones we have is a stipulation on the conservation ACP program, SL–1, which is seeding of legume and alfalfa. At the present time there is a stipulation on there that it has to be 1 ton of erosion per acre to be eligible to receive cost-share. That is determined by the SCS office, which they use their files and their soil texture, and we would like to see that 1 ton restriction removed so that we can get more cost-share. It is only 50 percent and we have a lot of farmers that we have to turn down because their soil does not have the 1-ton per acre restriction. It is not a very costly deal, but it still discourages a lot of participation.

The other is the Federal crop insurance at this time does not insure hay, alfalfa, or grass, which the last 2 years has been our biggest loss in Miner County.

Thank you.

Mr. JOHNSON. Well thank you. We are getting about now to the cutoff time and I know some of you are probably thinking this guy is going to go on forever. Unless there is some real compelling comment, we are going to have to—the staff has to get back to Washington and all those obligations. But I would say that if anybody has any additional comments that they would like to submit in writing, I would still be glad to take those and we will have them incorporated in the Ag Committee's record that we take back to Washington for review by other members and by the staff. So I do not want anybody to feel cut off in that regard.

The only other thing I would say is thank you for coming this morning, for your attendance, and your insights that you have shared with us. I think it has been a valuable exercise. The nature of legislation is always one of compromise. We know that we may not get everything that all of us want, but hopefully with the help of your insights and suggestions here, we can move forward with a farm bill that generates good farming for family farmers and does so in a reliable and steady way. That is what it is really all about.

So thank you again for coming today and stay in touch with us as this farm bill issue evolves. We do not even have a bill at this point, but by the end of summer, it will be put together and as you have any questions about what those idiots up in Washington are doing, feel free to get ahold of us. Or if you have other suggestions about what we ought to do, get ahold of us that way too.

Thank you.

[Whereupon, at 11:55 a.m., the subcommittee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

Committee on Agriculture
Subcommittee on Wheat, Soybeans and Feed Grains

February 10, 1990
Sioux Falls Stockyards

Testimony of
JAY C. SWISHER
South Dakota Secretary of Agriculture

on behalf of
GOVERNOR GEORGE MICKELSON

Mister Chairman, members of the committee, my name is Jay Swisher, South Dakota Secretary of Agriculture; I am here today on behalf of Governor George Mickelson. Thank you for this opportunity to share some thoughts with you on the 1990 farm bill, particularly the provisions on wheat, oilseeds and feed grains.

South Dakota is the most agriculturally-dependent state in the nation. For the past two years, participation in the farm program for corn and wheat acres have been well over 90% in the state. As you can imagine, we are infinitely interested in the scope and structure of the farm bill.

I believe the 1985 Food Security Act provides a logical starting point for all discussions on the 1990 farm bill. The 1985 act addressed the context of American agriculture at that time -- rising grain stocks, low farm income, and financial crises in the farm sector. The 1985 act reduced plantings and helped stabilize farm income through record expenditures for farm program payments.

The 1985 act contained some unique, innovative features. PIK certificates created a whole new currency, and were effective in helping move some of our grain stocks. Provisions such as 0/92 promoted conservation measures by enabling farmers to rest their land when needed and by giving them a provision for coping with drought conditions. Advance payments are an important feature because they provide operating money for farmers.

As policy makers look to the 1985 Food Security Act and begin drafting provisions for the 1990 farm bill, the hue and cry is for "flexibility." The Administration has taken the position of redesigning farm programs to give farmers the flexibility to manage their operations in the most efficient way, and we strongly support this concept.

I suspect that we all have different ideas for specific programs that would lend flexibility to the farm bill. Governor Mickelson, as chairman of the National Governors' Association Committee on Agriculture and Rural Development, has taken a lead role in developing a policy position that encourages farm program flexibility. That position statement will be considered for approval at the N.G.A. winter meeting later this month.

As you begin shaping the details of the new farm bill, I ask you keep the following four points in mind.

First, I strongly believe that agricultural production must become more responsive to market demands. The United States simply does not have the fiscal luxury of ignoring the market place.

As we watch the dramatic changes in eastern Europe, we see new market opportunities -- and challenges -- for agricultural products. We know from history that the productivity of the United States agricultural system has given us the safest, most abundant food supply in the world and has contributed significantly toward improving our balance of trade. To keep us in that position, the farm bill must not interfere with the ability of farmers and ranchers to produce for the market.

One example pertinent for South Dakota is oats. This state has been known for oats production; yet, the current farm bill forced oats out of production, and our nation is now an importer of oats. This is a move in the wrong direction.

Similarly, we can look at oil crops and specialty crops. The 1990 crop program sign-up is in progress, and it contains some provisions for non-program crops. The results of the current sign-up will give a good indication of what kind of flexibility options are going to work with farmers. We urge you to provide adequate opportunities for farmers to produce oilseeds and other specialty crops.

Second, we must take a common sense approach to issues such as the environment and food safety. Some of the demands placed by "outside" forces may be good for agriculture; some are not. But whether or not these demands for change are justified, agriculture must be prepared to deal with them.

Flexibility in the farm bill can be an effective way of allowing and encouraging farmers to be more environmentally responsible. The best way to achieve water quality and other environmental protection goals is through non-regulatory means such as technical and financial assistance. Giving farmers the option of crop rotations and planting some non-program crops will pave the way for them to utilize practices which enhance soil conservation and water quality.

A third area which I believe must be addressed in the 1990 farm program is promoting research and development of new uses for traditional agricultural commodities. We know there is tremendous opportunity for industrial use products from traditional agricultural commodities. I believe we must direct more funding to an aggressive research and development program to find new uses and new markets for traditional agriculture commodities.

Finally -- and perhaps most importantly -- simplicity is going to be the secret of the success of any farm bill Congress puts together.

The current farm program is overrun with complex program options. Provisions of the 1985 Food Security Act read like an eye chart, where terms like ACR, P&CP, CU, ANPC, 0/92, and CRP abound. I urge you at all costs to keep the program provisions as straightforward and uncomplicated as possible.

A Normal Crop Acreage program, as outlined earlier this week by Secretary Yeutter, is a logical move for the 1990 bill. It would give flexibility for program crops, and would be useful for those farmers who are interested in more options for wheat and feed grains, alfalfa and forage crops, not just specialty crops.

Planting history has become tremendously important, and farmers are wary of losing base acres. Quite a few farmers learned the hard way with the 1985 act about the need for planting history. Producers interested in growing alternate crops are more apt to do so if their base history is protected. We must keep this in mind when considering new options.

I would like to touch briefly on crop insurance before I close. This is an issue that is on the minds of a lot of South Dakota farmers. There are proposals to revamp or scrap the Federal Crop Insurance program, and there are proposals to create a permanent disaster program. Another possibility might be to turn responsibility for insuring crops over to private insurance companies. Crop insurance is an enormously important issue and we need to carefully look at all the options.

Policy makers have the difficult job of balancing the needs of agriculture and the wants of society, all within the limits of the federal budget. The 1990 farm bill must be constructed to emphasize flexibility, to allow farmers and ranchers to successfully meet changing conditions, and to do it in a more fiscally responsible manner. We need to give farmers greater opportunities to plant and harvest a crop for the market place rather than the government. We need to work together to accomplish our mutual goals, and we pledge our support for this endeavor.

south dakota
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Agricultural Experiment Station · South Dakota State University · Brookings, SD 57007

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Policy directions

South Dakotans give opinions on upcoming 1990 Farm Bill

The stage is being set for new agricultural and food legislation in 1990.

We could carry that analogy too far, discussing possible villains and leading actors, but in one respect the new farm bill will not be "typical theater" in which the audience only applauds or "boos" at the final curtain. Instead, farmers in 21 states have already been asked for their opinions on upcoming policy decisions. South Dakota is one of those states.

(Congressional hearings and other public meetings will also provide producer, agribusiness, and consumer groups opportunities to express their views.)

Results from South Dakota have been compiled with those from 20 other states and given to members of Congress, the Secretary of Agriculture, and agricultural leaders. Farmers in the other states appear to agree fully with South Dakotans on the leading national issues.

A random sample of 1,500 South Dakota farmers and ranchers received copies of the survey in early 1989. Nearly one third (490) responded.

They are representative of South Dakota farmers in most respects. They differ most noticeably in that a higher proportion of them

(72%) operate farms with above $40,000 in annual sales (in contrast to the 1987 ag census figure of 47% of all farmers).

Many South Dakota farmers feel that the 1990 farm bill will be "targeted" for deeper cuts than other federal programs in the scramble to reduce the federal budget deficit.

Federal budget deficits have occurred each year since 1969 and have exceeded $140 billion each year since 1983. Federal debt (the net accumulation of federal budget deficits) as a percent of gross national product (GNP) has increased from 36% in 1975 to 54% in 1988. Interest on the debt in 1988 was about $154 billion--or 13.7% of federal spending and 3.2% of the GNP.

Most South Dakota respondents (over 60%) prefer (1) reducing every federal budget item by a set percentage and/or (2) reducing the defense budget as ways to trim the federal deficit. Few of them (less than 20%) favor raising taxes or reducing social security payments.

If farm program cutbacks are required, a majority of respondents would like to see reduced payments to operators of larger farms (annual sales exceeding $250,000) while keeping payments to smaller farms.

"... farmers feel that the 1990 farm bill will be 'targeted' for deeper cuts than other federal programs ..."

American farmers, now 2.5% of the nation's population, separate into two categories: the 20% who produce 80% and the 80% who produce 20% of the nation's food and fiber.

For which group should commodity programs be designed?

The Food Security Act of 1985 is a compromise. Its intent was to gradually reduce farm income support, reduce government controlled grain stocks, and regain export markets.

In the early 80s, high loan rates, production controls, and storage programs encouraged other nations to increase their production and capture what had been U.S. foreign markets. Since 1985, target prices (used to calculate deficiency payments) have declined 6%, leading to a gradual reduction of farm income support. Loan rates (price supports) were reduced 35-40% to help U.S. farm exports regain international price competitiveness.

Loan rates can help provide a price floor to grain farmers but may also adversely affect their ability to compete in export markets. Target prices provide a direct payment incentive for program participants so long as market prices are expected to be less than target prices.

Given the low market prices of 1986 and 1987, deficiency payments per bushel greatly increased, which led to increased federal farm program outlays and increased farmer dependence on farm program benefits. For 1986-88, federal payments to U.S. producers were 32 to 36% of net farm income, compared to about 25% in 1984-85 and less than 10% in 1979-81. Most respondents (88%) participated in 1988 federal farm programs.

> *"Most South Dakota respondents (over 60%) prefer (1) reducing every federal budget item by a set percentage and/or (2) reducing the defense budget as ways to trim the federal deficit."*

South Dakota producer attitudes about the future direction of commodity programs have changed between 1984 (when a similar survey was taken) and 1989. In 1984, respondents were more likely to want increased regulation of production and marketing practices and were less satisfied with existing commodity programs than respondents to the 1989 survey.

Most of this year's respondents favor proposals to either retain (33%) or gradually eliminate (35%) commodity programs. Comparatively few (13%) favor mandatory supply control programs which require all farmers to participate if approved in a farmer referendum.

Decoupling, a policy option to immediately separate government payments from production requirements, is favored by only 11%. Only 6% of respondents were undecided about the future direction for commodity programs.

Respondents are deeply divided on the future of target prices and loan rates. More than 40% favor (1) increasing target prices each year to match the rate of inflation and (2) setting loan rates on previous 5-year average market prices to keep prices competitive. However, there is also considerable support (30-34%) for phasing out target prices and loan rates, while 24% want to raise loan rates as a primary means to support prices.

Respondents' commodity policy preferences are directly related to their economic interests. Cash grain producers generally favor increasing target prices, but are split on the issue of increasing loan rates or basing them on 5-year average prices. Most livestock producers favor reductions in or elimination of target prices and loan rate programs.

A majority of respondents (55%) favor continuation of paid land diversion and farmer owned grain reserve (FOR) programs in the farm policy tool kit but are opposed to continued use of generic (PIK) certificates for income support. Large farm and cash grain producers are much more likely to favor paid land diversion programs and PIK certificates.

Two thirds of South Dakota respondents favor commodity program benefits for small and medium sized farms with annual sales of less than $250,000. Nearly 44% want the present direct payment limits of $50,000 per farm; 19% prefer a lower limit; and 10% want to increase or eliminate any payment limitation.

A majority of respondents (58%) received federal disaster assistance payments in 1988. Most favor some type of federal policy to help producers cope with production losses from natural disasters. A majority (54%) prefer federal crop insurance programs; 25% would choose federal disaster payments and discontinue federal crop insurance; and 9% want to eliminate both programs.

Conservation and environmental issues are currently "center stage" in the agricultural policy agenda. South Dakota respondents indicate substantial support (64-70%) and relatively little opposition (15-21%) for three major environmental policy issues: (1) soil conservation and water quality compliance as a condition for receiving farm program benefits, (2) government regulation of certain farming practices and land uses to reduce pollution of water resources, and (3) federal policies that encourage reduced use of synthetic chemical fertilizers and pesticides.

Cost sharing payments are preferred to regulation of farming practices as the most effective method in achieving environmental objectives.

Most respondents (72%) support the Conservation Reserve Program (CRP), a 10-year retirement program targeted to highly erodible cropland. They are about evenly divided on (1) maintaining it at its present size (31 million acres), (2) expanding it to 45 million acres (the original goal of the 1985 Food Security Act), or (3) further expanding it to 600 million acres.

U.S. grain exports have increased from 15% of annual production in the 1950s to about 30% of annual production in the 1980s. In 1987-88, nearly three fourths of U.S. wheat, two fifths of soybeans, and a third of the corn crop was exported. The U.S. continues to be a net importer of livestock and dairy products.

International trade has contributed to the long-term rise in U.S. farm income, but it also produces wide fluctuations in farm prices and incomes. Farm exports dropped from $43.8 billion in 1981 to $26.8 billion in 1986 but climbed again to about $35.3 billion in 1988. The recent increases are primarily due to an improved world economy, reduced exchange rates, and lower farm loan rates.

Most respondents gave a strong endorsement to the federal administration's proposals in the GATT (General Agreement on Trade and Tariffs) negotiations to reduce trade barriers and liberalize world trade.

However, they are reluctant to weaken U.S. agricultural import barriers unless other developed nations also simultaneously lower their barriers.

Three trade proposals are favored by about 66% and opposed by less than 10% of respondents: (1) worldwide reductions in trade barriers, (2) separate trade agreements between the U.S. and individual countries (the recent U.S.-Canada Free Trade Agreement is one example), and (3) reductions in domestic farm subsidies of major importing and exporting countries worldwide.

They support traditional measures to increase U.S. commodity exports, but are opposed to policies that would improve agricultural production and export prospects of many Third World nations. A majority (53%) favor encouraging additional farmer- financed foreign market development programs, and 43% favor providing more food aid to hungry nations.

Economic policies operate within a political environment. Trade treaties will not endure if a high percentage of citizens of the participating nations perceive that their own economic interests are threatened. A "win-win" situation is difficult to achieve in international trade negotiations.

Chapter 12 was added to federal bankruptcy statutes in 1986 to address the reorganization needs of family farms in the farm finance crisis. Since its enactment, over two thirds of all South Dakota farm bankruptcy filings have been under this chapter.

Chapter 12 is limited to qualifying farmers with less than $1,500,000 in debt, 80% of which is related to agriculture. The farmer-debtor presents a reorganization plan to the federal bankruptcy judge for approval or rejection; creditors have no voting rights on the proposed plan. In most approved Chapter 12 plans, debt held by secured creditors is written down to the present value of the collateral and very little remaining debt is expected to be repaid.

Chapter 12 expires in 1993. Respondents were sharply divided on extending it. A plurality (41%) do not recommend permanent legislation, 32% are in favor, and 26% are undecided. Younger farmers and full owners (those who own all the land they farm) favor extending Chapter 12, all other respondent groups opposed it. □

The researcher and author of this article is Larry Janssen, professor of economics at SDSU. All percentages are rounded and may not total 100. Readers wanting more information may request a copy of SDSU Economics Research Report 89-4, Agricultural and Food Policy Decisions: A 1989 Perspective from South Dakota's Agricultural Producers.

FARM PROGRAM PARTICIPATION AND POLICY PERSPECTIVES OF SUSTAINABLE FARMERS IN SOUTH DAKOTA

by
Thomas L. Dobbs, David L. Becker,
and Donald C. Taylor[*]

Economics Staff Paper 89-7[**]

October 1989

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[*] Dobbs and Taylor are Professors of Agricultural Economics and Becker is a member of the research staff, all in the SDSU Department of Economics, Brookings, SD.

[**] Papers in this series are reproduced and distributed to encourage discussion of research, extension, teaching, and economic policy issues. Although available to anyone on request, Economics Department Staff Papers are intended primarily for peers and policy makers. Papers are normally critiqued by some colleagues prior to publication in this series. However, they are not subject to the formal review requirements of South Dakota State University's Agricultural Experiment Station and Cooperative Extension Service publications.

Preface

This paper contains some of the descriptive results of on-farm interviews conducted during early 1989 with twenty-two sustainable farmers in South Dakota. These interviews constitute part of a study supported by Grant No. 88-56 from the Northwest Area Foundation (in St. Paul, MN) and by the South Dakota State University (SDSU) Agricultural Experiment Station. Detailed descriptive results of "other-than-farm policy" aspects of the on-farm interviews are contained in the forthcoming SDSU Economics Research Report 89-5, entitled South Dakota Sustainable Farmer Crop Rotations, Livestock Enterprises, and Risk Evaluation. Whole-farm economic analyses with data collected in some of the interviews are presently in process as part of Phase II of the Northwest Area Foundation-supported study. Results of those analyses will be contained in future reports.

The entire questionnaire used for these on-farm interviews will be contained in an annex to Research Report 89-5. The four questions (Numbers 6, 7, 20, and 21) which pertain to farm program participation and policy perspectives are also reproduced as an annex to the present Staff Paper.

We appreciate the willingness of Richard Shane and Brian Schmiesing to review and comment on a draft of this paper.

TLD, DLB, and DCT

October 1989

FARM PROGRAM PARTICIPATION AND POLICY PERSPECTIVES OF SUSTAINABLE FARMERS IN SOUTH DAKOTA

The practices and views regarding farm policy of more than twenty low-input/sustainable farmers in South Dakota are reported in this paper. First, the source of information for this paper is briefly described. Then, the farmers' participation in Federal commodity programs and their views on Federal farm program conservation compliance provisions are presented. Subsequently, the farmers' views on desired changes in Federal farm programs and on desired State and local government actions to promote sustainable agriculture are reported. Plans for SDSU sustainable agriculture policy analyses are briefly indicated at the end of the paper.

Farmer Interviews

Information on thirty-two sustainable (low-input, regenerative, alternative) farmers in South Dakota was obtained through a mail survey in the early summer of 1988. Detailed results of that survey have been reported in Taylor, et al. (1989). Follow-up on-farm interviews with a subset of those thirty-two were conducted during the winter of 1989. Twenty-two farmers who were beyond -- or at least well into -- the transition from "conventional" to "sustainable" agricultural practices were interviewed with a two-part questionnaire. The first part was mailed to them in advance, with a request that the farm operator complete that part prior to arrival of the interviewer. Subsequently, when the interviewer arrived on-farm at a mutually agreed time, the farmer and the interviewer went over Part I to clarify any questions that were not clear and to complete any portions not yet filled in by the farmer. Then, the interviewer proceeded to go through Part II of the questionnaire with the farmer (and spouse, if both were present).

Through this process, twenty-one of twenty-two questionnaires of both

Parts I and II were obtained. Because of time pressures on one farmer, only Part II was completed by him. For certain kinds of cross-classification analyses, it would only be legitimate to use data from the twenty-one farmers for whom both Parts I and II of the questionnaire were completed. However, in this Staff Paper, we are not conducting any cross classifications that would be adversely affected by including information from the farmer for whom only Part II information was obtained.

Commodity Program Participation

A series of questions was asked about the farmers' participation in acreage set-aside and commodity payment provisions of the Federal farm program. There were twenty-two responses for these questions. Among the questions was one about how set-aside acres fit into the farmers' sustainable (regenerative) rotations.

Nature and level of participation

Twenty-one of twenty-two farmers indicated that (since 1984) they have generally participated in acreage set-aside and commodity payment provisions of the Federal farm program. The farmer who does not generally participate indicated his reasons are primarily philosophical -- not wanting the government to tell him how to manage his farm.

Of the twenty-one who generally participate in the commodity programs, nine indicated that they generally participate at the minimum required set-aside levels, eight indicated that they usually participate at higher levels (i.e., with paid diversions), and four indicated that their level of participation (minimum vs. higher) varies from year to year. Most of those participating at minimum levels indicated that they wanted to plant as many acres as they could, consistent with their rotation and Federal farm program requirements. Several of those participating at higher levels said that taking advantage of paid diversions allowed them to put more land in legumes such as alfalfa and clover or to "rest" more land; in effect, for some farmers, the higher acreage diversion levels fit well in their rotation plans. Those whose level of participation in the farm program has varied from year to year said various circumstances, including the weather, influence their decisions on whether or not to participate in the paid acreage set-aside options.

Farmers participating in the 1989 commodity program could substitute soybeans or sunflowers for 10-25 percent of their food or feed grain program crop "permitted" acres. Seven of twenty-two farmers said they planned to exercise that substitution option. Three more said they might, but a decision had not yet been made at the time of their interviews.

Management of set-aside acres

A variety of responses was given to the question about how farm program set-aside acres fit into the sustainable farmers' rotations.

Seven farmers indicate that they use **summer fallow** acres to meet at least some of their set-aside requirements. This response was received more often from farmers in the western and northern parts of South Dakota, where summer fallowing is a common practice, than it was from farmers in the southeastern part of the State. Two farmers in southeastern South Dakota did indicate that they sometimes summer fallow set-aside acres, allowing them to clean up weeds or to let the land rest for fertility purposes.

Small grain crops are sown on set-aside acres by eight of the farmers interviewed. (Because some farmers use more than one practice on set-aside acres, responses in this section exceed twenty-one, the number of farmers participating in acreage set-aside programs.) This practice is particularly common among sustainable farmers in the southeastern part of the State. It is quite common for farmers in southeastern South Dakota to plant oats as a nurse crop for alfalfa (or, in the case of one farmer interviewed, for red clover); enough of the oats acreage to meet set-aside requirements is clipped before heading out, rather than harvested. Farmers will sometimes clip (as set-aside) those acres which are especially weedy.

One farmer in the southeast sows a spring wheat and sweet clover mix on set-aside acres, and uses the crop as a green manure plow-down. The wheat is allowed to go to seed, so after the crop is moldboard plowed in July, some wheat will come back as winter cover.

A farmer in northeast South Dakota said he sometimes plants rye in the fall on summer fallow set-aside acres. The rye helps control erosion over the winter and is then turned under in the spring as a green manure crop.

In addition to the farmer already mentioned who sows sweet clover together with wheat, seven other farmers grow sweet clover as a green manure crop on set-aside acres. The sweet clover is often established with a small grain nurse crop during the previous year. The clover is worked in with a plow or disc during the summer of the set-aside year. One of the farmers said he sometimes broadcasts barley, for winter cover, after plowing down his sweet clover.

Another crop grown on set-aside acres -- by three of the farmers interviewed -- is sudan grass. Two farmers use the sudan for grazing in the fall and winter, after the A.S.C.S. idling deadline has passed, and the third discs the crop in as a green manure crop in late summer.

Implications of Conservation Compliance Provision

The "conservation compliance" provision of the Food Security Act of 1985 discourages production of crops on highly erodible land unless adequate protection from erosion is provided for. To remain eligible for U.S.D.A. program benefits, farmers with land that is classified as highly erodible must have an approved conservation plan by January 1, 1990 and the plan must be fully implemented by January 1, 1995 (Dobbs, 1986; Kovan, *et al*., 1987).

Farmers affected

Eight of the twenty-two sustainable farmers who were interviewed said that they have erodible land which must be in compliance with this conservation provision of the Food Security Act. The amount of highly erodible land for each of these eight farmers was from just a few acres to several hundred acres.

Compliance measures

The eight farmers were asked what measures they have taken or plan to take with this erodible land to come into compliance. Three farmers indicated their erodible land is or will be planted to grass and a fourth indicated his is in a combination of the Conservation Reserve Program (CRP) and pasture. One of the farmers planting grass also plans to plant some trees for wildlife. Another farmer said his erodible land is already seeded to alfalfa. One farmer anticipated the use of strip cropping and measures to keep crop residue on the surface. Another said that he already had terraces in place and that use of a Noble blade would leave adequate residue on the surface. Finally, one of the eight farmers simply said that his current farming practices satisfy the compliance requirements.

Compatibility with their sustainable farming systems

Next, we asked these eight farmers if the conservation measures they had taken or plan to take to be in "compliance" are compatible with the kinds of regenerative (sustainable) practices they would like to use anyway. Six of the eight responded yes. Of the two responding no, one indicated that the strip cropping he anticipates doing may be difficult on some fields. The other no respondent said that he would continue farming the land classified as highly erodible -- rather than to put it into grass and trees -- were it not for the compliance provision.

Other conservation practices

All twenty-two of the interviewed farmers were also asked to describe any other soil and water conservation practices in use on their farms. Among the often mentioned practices, with the number of farmers listing each practice in parentheses, were the following: use of shelter belts or single row tree belts (thirteen); use of sod waterways (eleven); contour farming and/or terracing (seven); and strip cropping (four). Two farmers also mentioned working fields across the slopes. Five farmers noted measures to leave plenty of crop residue on field surfaces, but undoubtedly more than those five use some such crop residue measures.

Desired Changes in Federal Farm Program

Policy makers at National and State levels are considering a wide array of incentives and regulations to foster more environmentally sound agricultural practices. These include more restrictive chemical pesticide regulation, special taxes on chemicals and fertilizers, broader and more stringent "compliance" provisions for farmers to qualify for Federal farm program benefits, and various changes in commodity components of the Federal farm program to modify or possibly even sever the link between direct farm income support payments and crop production levels.

To obtain farmer perspectives on possible policy and program changes at the National level, we posed the following open-ended question in our interviews with twenty-one sustainable farmers: "What changes (if any) would you like to see in the Federal farm program to make it more supportive or encouraging of sustainable agricultural practices?" The responses can be broadly categorized as follows, with the number of such responses shown in parentheses (again, some farmers gave responses in more than one of the categories):

*Allow greater flexibility in crops grown (e.g., legumes included in crop rotations) without losing feed and food grain acreage "bases" (seven).

*Introduce new or stronger conservation/environmental compliance requirements and/or incentives (seven).

*Largely eliminate the current kinds of Federal commodity programs and concentrate on such things as multi-year land retirement and price stabilization (seven).

*Target federal farm program payments to family-size farming operations (three).

*Provide more funding for research on sustainable agriculture (two).

Illustrative responses in each category are now presented.

Greater flexibility in crops grown

Examples of statements made by farmers urging greater flexibility in crop acreage requirements of commodity programs follow (paraphrased):

-- It is hard to remain flexible with rotation schedules while maintaining corn base. I lose base every year because of sweet clover acres.

-- I would limit the corn acreage bases to 30-40% of total cropland on each farm, regardless of crop history. This would encourage proper crop rotations.

-- Broaden the list of crops that are supported.

-- The Federal farm program is currently geared toward more bushels (i.e., higher yields); we should focus more on programs that encourage rotations.

-- Guarantee no loss of income for one year if a legume is grown in place of wheat (or other cereal grain).

Conservation/environmental compliance

Farmers urging greater attention to conservation/environmental compliance requirements or incentives made such statements as the following:

-- Require farmers to use certain regenerative agricultural practices as a condition for receiving government payments.

-- Provide incentives for time-honored, proven, naturally regenerative practices such as strip cropping, clover under-sowing, uncompromised crop rotations, and tree planting.

-- Pay farmers who do not use synthetic fertilizers and other agricultural chemicals.

-- The Federal government should restrict the use of synthetic chemical inputs.

-- There should be no help to anyone destroying the land; the government is presently paying people to destroy the land.

-- Outlaw all below-the-ground chemicals. Allow only the contact-killers (the ones that interfere with photosynthesis). No chemicals in the ground would allow rejuvenation of life in the soil.

Substantially change the nature of Federal programs

Seven farmers urged substantial changes in the very nature of Federal commodity programs or even, in some cases, elimination of such programs. These are examples of their statements:

-- Get away from the farm program if it is practical.

-- Do away with Federal commodity programs and involve the government in tax and credit issues, instead. Provide a cover crop payment for up to 25-30 percent of the cropland on a farm; the payment would be for acres planted to regenerative crops (e.g., alfalfa, rye, clover), and farmers would be allowed to hay or graze those crops.

-- Construct a farm bill similar to the current soybean program.

-- The Federal farm program should make it against the law for merchants to buy agricultural produce for less than parity.

-- Expand the Conservation Reserve Program to all classes of soil or extend the Acreage Reserve Program from 1 year to 3-5 years. These policies would encourage land regeneration and support commodity prices.

Target payments to family-size operations

Focusing farm program payments on family-size operations was among the concerns of three farmers. Their feelings were expressed as follows:

-- Gear payments toward moderate sized farms or have smaller payment limitations.

-- There should be no Federal aid to farmers operating more acres than the average for their county.

-- There should be a $50,000 payment limit per farm, based on the 1910-14 dollar. No payments should be made for produce representing more than 50 percent of the proven production capacity of the farm.

More research in sustainable agriculture

Two farmers also mentioned the importance of more research and information dissemination -- such as at Land Grant universities -- on sustainable agriculture. The U.S. Department of Agriculture's new "Low-Input/Sustainable Agriculture" (LISA) program was cited as a start in efforts to meet this need.

Support for environmental focus

It is not at all surprising that these twenty-one low-input/sustainable farmers proposed a variety of Federal farm program initiatives entailing greater environmental focus. However, recently released findings of a South Dakota State University survey also indicate rather broad-based farmer support for stronger Federal farm program conservation and environmental policies.

Janssen (1989) reports substantial support (64-70 percent) for and relatively little opposition (15-20 percent) to three major environmental policy issues among 490 respondents to a February-March 1989 random sample survey of South Dakota farmers and ranchers. The three environmental policy issues are:

> (1) soil conservation and water quality compliance should be a condition for receiving farm program benefits, (2) government should regulate certain farming practices and land uses to reduce pollution of underground and stream water, and (3) Federal farm policies need to give greater attention than they do at present to encourage reduced use of synthetic chemical fertilizers and pesticides. (Janssen, 1989, pp. 2-3)

Desired Actions for State and Local Governments

Twenty-one sustainable farmers were also asked "Are there things you think State or local governments should do to encourage or require agricultural practices that are more sustainable?"[1] Those who responded "yes" (sixteen of twenty-one) were asked to explain. Their explanations are categorized as follows (again, the numbers of such responses are shown in parentheses and some farmers gave explanations in more than one category):

*Expand education on alternative farming practices and improve the knowledge level (concerning alternative practices) of Extension agents and local weed supervisors (eight).

*Provide stronger environmental quality controls and incentives, in such areas as spray drift and groundwater contamination (seven).

*Encourage or require more university research on sustainable agriculture practices (two).

*Various other explanations, such as to lower land taxes, provide livestock loans, provide more recognition for good land stewardship, and establish a State (South Dakota) "organically grown" certification label (five).

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[1] The general focus of the interviews was on agricultural practices which are intended to be sustainable from both environmental and economic standpoints.

Expanded education

Half of the farmers who think State or local governments should take actions to encourage sustainable agriculture mentioned educational measures. Suggestions (paraphrased) included:

-- People need to be educated about underground water contamination.

-- Education is needed on the harmful effects of chemicals.

-- Information should be provided on alternative forms of weed control.

-- Extension agents need to know more about sustainable agriculture.

-- Township and county weed supervisors need to be more informed about alternative management practices. (One farmer had to spray organic ground because of a musk and Canadian thistle problem acquired from a neighbor.)

-- It may be helpful to educate chemical and implement company representatives about sustainable agriculture.

Environmental quality controls and incentives

Nearly as many farmers (seven) also mentioned State or local initiatives in the area of environmental quality controls or incentives. Examples of their suggestions follow:

-- We need to strengthen and enforce laws regarding spray drift and application of chemicals on windy days. (One farmer sent maps showing the locations of his organic fields to local aerial sprayers. The sprayers could then be more careful to avoid his fields, considering drift and wind conditions.)

-- We should stop ditch spraying by local governments and leave that responsibility to the property owners.

-- Penalize those who poison the air, water, crops, and land. However, we must be careful with laws, as they could be another way of driving small farmers off of the land.

-- Monitor groundwater contamination and soil erosion.

-- Strictly enforce groundwater laws and ordinances.

-- Encourage reduced chemical use.

Research

Two farmers listed more research on sustainable agriculture as a State initiative. One went so far as to say that all research institutions should be forced to spend as much money on sustainable agriculture research as they do on conventional agriculture research.

Other State and local government actions

A variety of other State and local actions to encourage sustainable agriculture practices were mentioned by some farmers, including the following:

- Lower land taxes (the land will last longer and the water supply may be fit to drink).
- Give awards and recognition to good stewards of the soil.
- Establish a "South Dakota Organically Grown" certification label.
- The State government could set up a livestock loan program to encourage modest livestock operations, which would make regenerative farming more feasible.

Plans for Policy Analyses

The preceding pages provide some insights on farmers' own perspectives about how farm and related environmental policies might be shaped to provide more stimulus to sustainable agriculture practices. Building on some of these perceptions and on proposals coming from a variety of other sources, several policy changes and initiatives have been identified for evaluation in whole-farm economic analyses at South Dakota State University (SDSU). Data from several of the farmers interviewed in South Dakota have been used to construct whole-farm models to be employed in these analyses.

The following **Federal commodity policy** changes are presently being considered for analysis:[2] (1) reduce target prices significantly; (2) leave farm program "base yields" frozen (at their present levels), and assure farmers who switch to sustainable practices that their base yields will not be reduced if their average actual yields should decline; (3) introduce more acreage base flexibility by allowing a certain amount of legumes (such as alfalfa and clover) into the farmer's rotation without sacrifice of feed or food grain base; (4) decouple Federal farm income support from crops grown; and (5) enact mandatory acreage allotments or marketing quotas for particular crops to significantly restrict supply and raise market prices, as the only or principal means of Federal farm income intervention.

Other, **non-commodity**, policy initiatives could also be taken by the Federal government or by State governments in attempts to encourage sustainable agriculture practices. Options presently being considered for analysis at SDSU include: (1) taxes on synthetic chemical inputs (fertilizers and pesticides) and (2) payment incentives for non-use of synthetic chemical inputs.

Policy options such as ones listed in the above paragraphs will be analyzed -- one at a time -- and compared to a "baseline" which consists of continuing with the kind of Federal farm program that resulted from the 1985 Food Security Act. The "baseline", therefore, consists of (1) target prices which have generally been above market prices of major feed and food grains; (2) relatively low loan-support levels; (3) deficiency payments on several major crops to allow farmers to achieve roughly "target" price levels; (4) commodity-based acreage set-aside requirements for major feed and food grains, except for soybeans; (5) a long-term (10-year contracts) Conservation Reserve Program (CRP); and (6) conservation compliance provisions, which must be met in order to participate in farm income support programs. The various policy options will be analyzed for how they are likely to increase or decrease whole-farm net incomes -- relative to the baseline situation -- and how they would probably induce or constrain attempts by farmers to expand their use of "sustainable" production practices.

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[2] Several of the policy changes or options under consideration have been jointly identified by Washington State University (WSU) researchers Dr. Doug Young and Ms. Kathleen Painter and by the South Dakota State University (SDSU) authors of this Staff Paper. Dr. Young is directing a Northwest Area Foundation-supported sustainable agriculture study which has policy analysis objectives that closely parallel objectives included in SDSU's research. Thus, some common policy options will be analyzed in the WSU and SDSU studies.

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(Attachment follows:)

Annex: Portions of the On-farm Interview Questionnaire that Pertain to this Staff Paper

Policy

6. What changes (if any) would you like to see in the Federal farm program to make it more supportive or encouraging of sustainable agriculture practices?

7. Are there things you think **State** or **local** governments should do to encourage or require agricultural practices that are more sustainable?
_____ Yes _____ No
If Yes, explain:

20. **Government farm program**

a.

Crop	Base Acres*	Base Yield*
Corn		
Wheat		
Oats		
Barley		
Sorghum		
Other? ( )		

*Indicate if the base acres (as a proportion of cropland) and yields are different for the part of your farm with the principal regenerative rotation.

b. Since 1984, have you generally participated in acreage set-aside and commodity payment provisions of the Federal farm program?

_____ Yes _____ No (If no, skip to part e.)

c. If Yes, usually at the minimum required set-aside levels or often at higher levels? **Explain:**

d. How do your set-aside acres fit into your regenerative rotations?

e. If no, why don't you participate?

f. If you are participating in the 1989 farm program, do you plan to substitute soybeans or sunflowers on 10-25% of a program crops permitted acres? ___ Yes ___ No

21. Conservation compliance

a. Do you have land which must meet special "conservation compliance" provisions of the 1985 Federal Farm Bill? ___ Yes ___ No

b. If Yes

(1) How many acres of the land you farm does this apply to? _______

(2) What are the location(s), legal description(s), and soil and slope characteristics of the field(s) involved?

(3) What measures have you taken -- or do you plan to take -- to come into compliance?

(4) Are those measures compatible with the kinds of "regenerative" ("sustainable") practices you would like to use anyway?

c. Describe any other soil and water conservation practices (i.e., sod waterways, terraces, shelter belts, etc.) and their importance in your operation.

STATEMENT REGARDING WATER QUALITY COMPONENT FOR 1990 FARM BILL

Dr. Charles H. Ullery
Extension Water & Natural Resources Specialist
South Dakota State University
Brookings, SD

American agriculture provides an inexpensive and plentiful supply of quality food that contributes substantially to the general well-being of the nation's citizenry. A substantial portion of the production capacity is presently dependent on the use of fertilizers and pesticides. Any policy and resulting programs undertaken to address environment concerns associated with use of fertilizers and pesticides should not substantially undermine the nation's capacity to produce food.

Two studies ...the Oakwood Lakes-Poinsett Rural Clean Water Project and Turner County Ground Water Monitoring Project...have provided information about nonpoint source nitrate and pesticide contamination for two shallow and highly vulnerable aquifers in South Dakota. Although elevated nitrate levels were found (with some exceeding the drinking water standard) and non-health threatening concentrations of pesticides were detected, cropland applied nitrogen fertilizer and pesticides do not appear to represent an immediate major threat to ground water quality. However, there indeed is need for action to reduce the potential ground water contamination risk associated with using fertilizers and pesticides, ie, these producers will need better management skills.

Extension, SCS, and the state Departments of Agriculture and Water and Natural Resources have carried out programs to protect ground and surface water quality for many years. However during the past two years all of these agencies have devoted additional resources to the effort. A major thrust of these efforts has been informing and educating producers about the agricultural impacts on water quality and fertilizer and pesticide management practices which will prevent it. A Nonpoint Source Task Force consisting of all governmental agencies concerned with protecting water quality was organized in 1988 by the Department of Water and Natural Resources to coordinate programs addressing nonpoint pollution.

Agricultural producers are aware of the need to protect water quality because they realize they could be polluting water that they use. And many producers are adopting appropriate fertilizer and pesticide management practices that provide water quality protection. Producers are concerned that practical approaches be used that do not threaten the profitability of their operation.

Additional financial support should be given to SCS and Extension for implementing present and future USDA educational and technical support programs on water quality. Current staffing and support levels are inadequate to handle anticipated workloads. Additional support for research programs is needed to find better ways to manage fertilizers and pesticides.

Voluntary participation programs utilizing positive incentives such as cost share and technical assistance are preferred for encouraging and helping producers to adopt best management practices for protecting water quality.

If cross compliance or other mandatory participation programs be used, considerable flexibility should be permitted concerning implementation and emphasis must be placed on solving water quality problems at state and local level.

NCRLC
Sioux Falls Diocesan
RURAL LIFE CONFERENCE
3100 West 41st Street • Sioux Falls, SD 57105
(605) 333-3353

TESTIMONY

TO

WHEAT, SOYBEANS, AND FEED GRAINS SUBCOMMITTEE HOUSE OF REPRESENTATIVES

Sioux Falls, SD. February 10, 1990
by Sister Pegge Boehm, PBVM
Director, Catholic Rural Life

I am Sister Pegge Boehm, Director of Catholic Rural Life for the Sioux Falls Diocese. I would like to begin my testimony with a paragraph from the most recent document by the U.S. Catholic Bishops: Food Policy in a Hungry World, The Links That Bind Us Together, November 8, 1989. After this hearing, I will give both of you, Chairman Dan Glickman and Representative Tim Johnson a copy. I quote: "Something is basically wrong when hunger still haunts the richest nation on earth, when thousands of family farmers who produce food cannot sustain their own families and keep their farms, and when public policy seems designed to promote and reward the biggest and richest farmers at the expense of smaller and more moderately sized farms, for which the original farm programs were intended." (p.5)

Sustainability is a key word as we enter the debate on the 1990 Farm Bill. If family farms will be sustained into the 20th century,
if our rural communities will be sustained into the 20th century,
if our land will be sustained into the 20th century,
Then, we must think long term and consider sustainable farm policie
Farm policy these past years has been shaped like a baker trying to make bread without considering the temperature of the room, whether she has an oven ready when it has risen, and whether there will be sufficient bread to feed everyone. Farm policy, like bread made in this way, uses the recipe only. No other factors were taken into account. Farm policy, rather, ought to be dealt with as if it was an organism where many factors are considered in its' system. The affect on the environment, the diversity of the whole program, the relationships between programs

"The choices of today condition the life of tomorrow"
Octogesima Adveniens, PP VI (May 14, 1971)

all needs to be considered when designing a comprehensive 1990 Farm Bil.

If indeed we believe that moderate-sized farms operated by families on a full-time basis are economically viable and worth sustaining, the arena of public policy needs to be shaped in such a way that this viable family farming system is not only renewed but also sustained for generations to come. Federal commodity programs need to be structured so that farmers who depend on their farm for their livelihood can attain an annual income adequate to meet the needs of their families Why not target farm programs to small and medium sized farms, especially with the present federal budget squeeze. Current commodity programs work against themselves. They encourage the farmer to overproduce and don't support farmers using sustainable farming practices. The current commodity programs help the biggest farms the most and protect unwise investments in land.

The National Catholic Rural Life Conference is a member organization, working within the Sustainable Agriculture Working Group. If you are interested in a more detailed account of their positions and directions for the 1990 Farm Bill, I'd be happy to give you information after these testimonies this morning. Basically, as a coalition, we are committed to promoting public policies that will help sustain the gifts of the soil and water, strengthen opportunities for farm families and rural communities, produce quality food, and protect the health of producers and consumers alike. These policies have at their center the concept of targetting federal farm programs with "people and production" in mind.

In addition to the Sustainable Agriculture Working Group, I strongly encourage you to support HR 3552, the Jontz Bill, Title II specifically. The farm program outlined in this section contains strong sustainable and flexible options. It establishes a voluntary program designed to enable producers to adopt sustainable production systems for their farms. It also reduces farm program barriers to adoption of more sustainable agricultural systems.

As Church, we are the people, and as the people, we are concerned about the dignity of the human person and the concern for the common good of all. I see the tragedy of farmers losing their farms as I travel the state of South Dakota. They not only lose their farm, but they are stripped of their dignity - their way of life. As we enter the 20th century, let us shape the 1990 Farm Bill so that our most precious commodies - people and land - are renewed and sustained into the 20th century! The Church is in the long-term business. The Church invites all our lawmakers into thinking long-term also, when designing the 1990 Farm Bill. God Bless you all.

Respectfully submitted,

Sister Pegge Boehm

Sister Pegge Boehm, pbvm
Director, Catholic Rural Lif

References:

Copies of the document: Food Policy in a Hungry World, The Links That Bind Us Together can be obtained from:

Office for Publishing and Promotion Services
United States Catholic Conference
Washington, DC 20017-1194

More information on:

Sustainable Agriculture Working Group
P.O. Box 736
104 E. Main
Hartington, NE 68739
402-254-6893

STATEMENT OF CHUCK HASSEBROOK
OF THE
CENTER FOR RURAL AFFAIRS
BEFORE THE
WHEAT, SOYBEANS AND FEED GRAINS SUBCOMMITTEE
SIOUX FALLS, SD; FEBRUARY 10, 1990

Mr. Chairman and members of the Committee, thank you for the opportunity to testify. The Center for Rural Affairs is a research and advocacy organization based in Walthill, NE and focused on enhancing agricultural sustainability and economic opportunity in agriculture and rural communities. My testimony will reflect the positions of the Sustainable Agriculture Coalition, a coalition of one dozen rural and sustainable agriculture organizations of which we are a member, and proposals developed by Bread for the World, an interdenominational social justice and anti-hunger organization, with which we collaborate on issues of targeting program benefits to family sized farms.

My comments will focus on proposed revisions of federal commodity programs to make them more supportive of sustainable agriculture and family farming, within existing budgetary constraints.

Supporting Resource Stewardship

The 1985 Farm Bill has made a major contribution to soil conservation through its sodbuster, conservation compliance and conservation reserve provisions. I commend you for their enactment. However, in another respect the 1985 Farm Bill penalizes resource stewardship, through the workings of commodity programs. Simply put, the farm program penalizes crop rotation and production of resource conserving crops which reduce soil erosion and lessen reliance on petrochemicals by interrupting weed and pest cycles and enhancing soil fertility. Research by Iowa State University Economist Mike Duffy illustrates this bias. Duffy found that in Iowa certain reduced input soil conserving rotations which include small grains and meadow would be more profitable than chemical intensive continuous corn production in the absence of the program. However, when program payments are considered, continuous corn production becomes the more profitable option (Mike Duffy, "Impacts of the 1985 Food Security Act on Crop Rotations and Fertilizer Use", Department of Economics, Iowa State University). This effect of the farm program is in direct conflict with the nation's efforts to curb soil erosion, growing concern over chemical contamination of groundwater and acreage reduction programs designed to reduce corn surpluses.

This bias stems from several sources.

- The program provides the greatest reward for production of a few program commodities, principally corn, wheat, cotton and rice. Farmers who include less supported or unsupported resource conserving crops in their rotations lose program payments and base acreage for the most supported commodities.

- The acreage base system is rigid and constrains changes in the mix of program crops planted. For example, continuous corn producers cannot shift to a corn-wheat rotation without temporarily getting out of the program or violating program rules and losing payments.

- The farm program seeks to control supply by requiring farmers to idle land, as it encourages them to maximize production on remaining acres through continuous production of corn, wheat, rice and cotton. The net impact is that plentiful land is replaced by chemical inputs produced from scarce oil supplies.

HR 3552

Late last year, Representative Jim Jontz, along with Representatives Tim Johnson, Dave Nagle and others, introduced HR 3552 which rectifies many of these biases for stewardship farmers who go the extra mile in reducing soil erosion and petrochemical use. This legislation provides that farmers who implement a farm plan over no more than five years that limits soil erosion to rates that do not degrade long term soil productivity and involves only low use of petrochemicals, are allowed additional program options. To the extent their crop rotation reduces production, set aside requirements would be reduced or waived in recognition of the contribution of less intensive rotations to supply management. Cross compliance would be waived to allow addition of other program crops to their rotation. Most importantly, participating farmers would be allowed to plant resource conserving crops, such as an oats alfalfa mixture, on base for corn or other program crops and retain base and deficiency payments, just as if they had planted the program crop. HR 3552 further provides that farmers who have low program crop bases due to historic use of soil conserving low input rotations would have them increased to the county average base-to-cropland ratio, for the purpose of drawing payments on resource conserving crops only.

This bill would effectively remove the penalty on production of resource conserving crops, reduce the base rigidity problem and eliminate the bias in acreage set aside programs for farmers who go the extra mile in protecting soil resources and reducing petrochemical use. It would allow farmers who currently have large program crop bases to switch to rotations which include resource conserving crops without loss of program benefits. In addition, it would begin to rectify the penalties on farmers who have historically employed resource conserving crop rotations and consequently receive relatively little benefit from federal commodity programs. Attached is our analysis of the impact of HR 3552 and Senator Wyche Fowler's S 970 on farmers employing various crop rotations, including those switching to these rotations from continuous corn production and farmers who have historically practiced crop rotation.

The question has been raised as to whether it is an efficient use of public funds to remove penalties on farmers who have always been good stewards and whether the public might receive greater environmental payoff by paying farmers currently using environmentally risky practices to change. What is the environmental benefit of rewarding the good stewards, or conversely, the environmental cost of continuing to penalize the good stewards?

To answer that question we must approach agriculture as a competitive industry. Continuing to penalize the good stewards weakens them as competitors relative to farmers more willing to exploit the resource base. All other things being equal, under the current farm program or any revised program which rewards changes in risky behavior but continues to penalize farmers who have historically used resource conserving rotations, 160 acres of land for sale are more likely to be purchased by the continuous corn producer than by the farmer who has always used a resource conserving rotation. The latter is less likely to build the equity to weather the recurrent boom-bust cycles of American agriculture. He/she will be less likely to build the equity to establish a son or daughter in farming. In short, farm programs which penalize the good stewards select them out of agriculture. That is problematic because policies aimed at encouraging stewardship farming will be fully successful only if there remains a receptive base of farmers with a commitment to stewardship. That requires public policies which consistently reward good stewardship, including farmers who practiced it before being paid to do so.

This need not add to program costs if done in conjunction with broader base reforms. We recommend that a cap be placed on the percentage of a farm's planted acres on which deficiency payments can be received, in the range of 66 to 80 percent, to provide savings to offset the cost of increasing the bases of those farmers with little base due to historic use of resource conserving crop rotations. There is no good rationale for current inequities whereby continuous corn producers get paid on all of their acres while stewardship farmers who rotate get paid on a much smaller fraction of their acres.

Targeting Farm Program Benefits

Another means of controlling program costs, which would also enhance the family farm objectives of commodity programs, is more effective targeting of farm program benefits. Continued and accelerated consolidation in agriculture would have far reaching adverse impacts on agriculturally dependent communities in this region. Such consolidation would foreclose opportunity to young people in agriculture and on the main streets of the heartland, which depend on a substantial farm population for their clientele. It would alter the fundamental character of these communities. University of California anthropologist Dean MacCannell, writing for the Congressional Office for Technology Assessment, summarized research findings on the impact of economic concentration in agriculture on the quality of life in rural communities, as follows:

> As farm size and absentee ownership increase, social conditions in the local community deteriorate. We have found depressed median family incomes, high levels of poverty, low education levels, social and economic inequality between ethnic groups, etc. associated with land and capital concentration in agriculture. . . . . Communities that are surrounded by farms that are larger than can be operated by a family unit have a bi-modal income distribution with a few wealthy elites, a majority of poor laborers, and virtually no middle class. The absence of a middle class at the community level has a serious negative effect on both the quality and quantity of social and commercial services, public education, local government, etc.

For farm programs to effectively counter the trend toward increased concentration and reduced economic opportunity in agriculture, they must be designed to strengthen the competitive position of small, moderate sized and beginning family farmers so that they can more effectively compete for land with larger well capitalized expanding operations and investors who can draw on large off farm incomes. The greatest support should be limited to a volume of production sufficient to support a family at income levels commensurate with the nonfarm population, on a diversified crop and livestock farm. Production beyond that volume should be supported at a lower level to minimize program incentives to expand farm size and concentrate land and opportunity into fewer hands.

Specifically, we propose a two tier target price system. Deficiency payments should be based on the higher target price on no more than $80,000 to $100,000 worth of program commodities. In effect, that would mean that government payments at the full rate would be limited to 30,000 to 36,000 bushels of corn or 20,000 to 25,000 bushels of wheat. In addition, we propose that individuals be gradually phased down to the lower target price level as their nonfarm incomes exceed the national median income (approximately $30,000), such that individuals with incomes of twice the national median would have their payments fully reduced to the lower level. This would focus program benefits on producers with a need to rely on farm income, but it would not adversely affect farmers who work full or part time off the farm and earn modest incomes. We would also gradually phase down target prices as total farm and nonfarm income combined exceed twice the national median income (approximately $60,000) such that individuals with total farm and nonfarm income of over four times the national median income would also have their payments fully reduced to the lower level.

The continuing support at lower levels for production in excess of $80,000 to $100,000 and producers exceeding the income limits would reimburse large farmers and farmers with high off farm incomes for participating in supply control and conservation programs The higher tier would provide additional income support for moderate sized/modest income farmers who have a need to rely on farm income. We envision this two tier system as an addition to, rather than a replacement for, the $50,000 payment limitation.

Furthermore, we urge that the person definition for application of the $50,000 payment limitation and the two tier price system proposed above treat each household as one person, irrespective of the form of business organization. No household should be allowed to increase eligibility by subdividing operations. Likewise, three adult brothers/sisters farming together should be treated as three persons, regardless of the form of business organization.

(Attachment follows:)

CENTER FOR RURAL AFFAIRS
Post Office Box 405
Phone (402) 846-5428
Walthill, Nebraska 68067
Population 850

January 1990

Commodity Program Reforms for Sustainable Agriculture

The current farm program penalizes farmers who act as responsible resource stewards by shifting from chemical intensive continuous production of certain program crops (corn, for example) to low input, resource conserving rotations. Two similar bills have been introduced to remove these penalties for farmers who minimize erosion and make low use of chemicals, one by Senator Wyche Fowler and the other by Representative Jim Jontz.

The Fowler and Jontz bills provide that farmers who implement a farm plan over no more than five years that keeps soil erosion at rates that do not degrade the soil and involves only low use of farm chemicals, are allowed additional program options and benefits. To the extent their crop rotation reduces total production on the farm, set aside requirements would be reduced or waived. Most importantly, they could plant resource conserving crops, such as an oats-clover mixture, on base for corn or other program crops, and retain base and deficiency payments, just as if they had planted the program crop. The Jontz bill further provides that farmers who have low program crop bases due to historic use of soil conserving low input rotations would have them increased to the county average base-to-cropland ratio, for drawing payments on resource conserving crops only. In addition, the Fowler Bill would not allow target prices to be reduced below 1989 levels for farmers in this program. The current law reduces target prices in 1990.

On the chart below, we compare farm program payments for continuous corn production and several low input rotations, under the current farm program and the Fowler and Jontz Bills. The rotations would reduce the need for nitrogen fertilizer use from 60% to 90%. In most cases they would eliminate the need for corn rootworm insecticides and reduce the use of herbicides by a minimum of 25%. This chart assumes the farmer has a 100% corn base and would switch from continuous corn production to a low input rotation. Under the current program, farmers shifting from continuous corn production to such rotations would sacrifice from one-half to two-thirds of their farm program benefits. The Jontz Bill would enable them to switch while maintaining most of their payments. The Fowler Bill would in some cases reward stewardship with an increased payment (see below). The cost of any increased payments would be offset by the reduction in corn surpluses and deficiency payments that would result from increased crop rotation.

Impact of Switching 100 Acres From Continuous Corn to Low Input Soil Conserving Rotations Under the Current Program, Fowler Bill and Jontz Bill in 1990, assuming 120 bushel proven yield, a 45 cent corn deficiency payment for low input producers under the Fowler Bill, a 33 cent deficiency in all other circumstances and waiver of the ten percent set aside for farmers using the low input rotations under the Jontz and Fowler bills.*

	Deficiency Payment		
	Current Program	Fowler Bill	Jontz Bill
Continuous corn	$3,564	$3,564	$3,564
Small grain/clover-corn-beans-corn	$1,782	$4,050	$2,970
Small grain-alfalfa-corn-beans corn	$1,426	$4,320	$3,168
Small grain/clover-corn-beans	$1,188	$3,600	$2,640

Why Commodity Program Reform? - Legislative efforts to address the adverse environmental impacts of agricultural chemical use will be frustrated by the pervasive effects of farm commodity programs, absent their reform. Programs to induce changes in farming practices through site and problem specific payments outside the commodity program are useful in addressing the most acute problems and may be the best approach for agricultural regions not influenced by farm commodity programs. However, commodity program reform offers the greatest potential for widespread reduction of dependence on petrochemicals.

The Efficiency Versus Equity Debate - The Fowler and Jontz bills would be most advantageous to farmers with high program crop bases who shift to low input rotations. However, both bills (especially the Jontz Bill) would also benefit producers who have historically used such practices. Their set aside requirements would be reduced. The Fowler Bill would insulate them from target price cuts below 1989 levels. Jontz would increase their crop bases for the purpose of receiving payments on resource conserving crops.

Deficiency Payments Under the Fowler, Jontz and Current Programs for Various Rotations, assuming the rotations have been in place for years and crop bases determined according to them. Under the Jontz Bill, we assume bases are raised to a county average corn base-to-cropland ratio of 66.6% for low input rotations. Other assumptions are identical to the previous chart.

	Deficiency Payment		
	Current Program	Fowler Bill	Jontz Bill
Continuous Corn	$3,564	$3,564	$3,564
Small grain/clover-corn-beans-corn	$1,782	$2,700	$2,637
Small grain-alfalfa-corn-beans corn	$1,426	$2,160	$2,637
Small grain/clover-corn-beans	$1,188	$1,800	$2,637

The question has been raised as to whether it is an efficient use of public funds to remove current penalties on farmers who have always been good stewards and whether the public might receive greater environmental payoff by paying farmers using environmentally risky practices to change. What is the environmental benefit of rewarding the good stewards, or conversely, the environmental cost of continuing to penalize the good stewards? To answer that question we must approach agriculture as a competitive industry. Continuing to penalize the good stewards means that we weaken them as competitors relative to farmers more willing to exploit the resource base. All other things being equal, under the current farm program or any revision which rewards changes in risky behavior but continues to penalize good stewards, 160 acres of land up for sale are more likely to be purchased by the farmer producing continuous corn than the farmer using a diverse rotation to reduce chemical use and soil erosion. The former is more likely to build the equity to weather the recurrent boom-bust cycles of American agriculture. And he/she will be more likely to build the equity to establish a son or daughter in farming. In short, farm programs which penalize the good stewards select them out of agriculture. Policies aimed at encouraging stewardship farming will be most successful if there remains a receptive base of farmers with a commitment to stewardship. That requires public policies which consistently reward good stewardship, including farmers who practiced stewardship before being paid to do so.

South Dakota Corn Growers Association, Mark E. Rogen

Congressman Glickman and Congressman Johnson, I'm Mark Rogen, a farmer from Sherman, SD and I am here testifying on behalf of the Corn Growers Association.

As we look to the 1990 Farm Bill we feel that some changes need to be made to the 1985 Food Security Act so farmers can continue to see some improvement in their incomes. This has a impact on all of rural America.

The 1985 farm act pointed us in the direction of getting more from the marketplace and we feel Congress should keep that same emphasis in the new farm bill.

One area of interest to us is support for the expansion of the various non-traditional uses of corn. That includes the extension of the federal excise tax exemption for ethanol, efforts to expand the use of corn starch based biodegradable plastics, and continuation of the U.S. sugar program. At the same time we must also work to ensure that the by-products of corn processing - corn oil and corn gluten feed - can move unhindered into world markets.

Many more new uses of corn are potentially possible, limited only by the woefully - inadequate federal support for research in the area. Our organization has been deeply involved in efforts to promote new uses research and would welcome any help your subcommitte could provide in securing funding for projects that bring about the production of new value-added agricultural products. This would mean so much to the economic development of our rural communities.

We also hope you will look at measures in the farm bill that ensures the viability of the livestock industry in the United States. Even though we are enthusaistic supporters of new uses, we value our biggest customer, the livestock sector, who will use about 57% of our crop this year.

Possibly the largest area of concern for us as Congress looks to the new farm bill is the continuing decreases in the target price of corn. Even though the decreases in support levels have helped put U.S. grains back in a more competitive position in world markets, current conditions do not suggest further reductions.

We would like to see higher corn target prices to help restore losses in farmer buying power.

Farm income has leveled off because of the 1985 bill and we don't face the same market situations that we did when it was being written. As an example, today stocks are down and our prices are more in-line with market clearing levels. It also makes no sense, from the standpoint of the Gatt negotiations, to give away U.S. support levels when the EEC is not responding in kind. If the rate of target price reductions continue unabated, we will effectively eliminate all income supports by the end of the 5-year 1990 bill. This would be in contrast/violation of past government policy favoring some sort of income protection for farmers and cheap food for the nations consumers. The 1985 bill provided farmers with a safety net of income support while still contributing a more-than-generous share of federal budget savings. Leaders in Congress have mentioned this point several times but I think it bears repeating.

Farm programs were costing more than anyone would have liked in the mid-1980's, but our programs are cheaper now by more than half and it's about time agriculture started getting credit for it.

Farm program spending has fallen sixty percent in only four years to its current level of about 11 billion dollars. This is about .94 percent of the entire Federal Budget. If President Bush and Clayton Yeutter have their way, the farm program budget will fall to about .85 percent this next year and get smaller every year.

We in agriculture have given our fair share to balancing the federal budget and giving the consumers in this country cheap, wholesome and healthy food. We should not be asked to continue cutting our share of support levels/target prices and thus the income of American farmers without expecting everyone else who benefits from Federal dollars to take their fair share of cuts.

Thank you for coming to South Dakota so we could share our concerns with you. We look forward to watching the debate over the 1990 Farm Bill and hope you will consider our concerns about the continued lowering of target prices and what it is doing to the income of the American Farmer.

TESTIMONY OF
JACK MEYER JR.
LEGISLATIVE CHAIRMAN OF
AMERICAN HONEY PRODUCERS-FEB. 10 .

MR. CHAIRMAN & MEMBERS OF THE COMMITTEE:

My name is Jack Meyer Jr. I am a 3rd generation beekeeper and work in a family business with my father, Jack Meyer Sr., and my uncle, I. H. Meyer. We operate 14,000 colonies of bees for honey production in North and South Dakota. We maintain an overwintering, Queen and nuclei operation in Louisiana and Mississippi.

I am a member of the American Honey Producers Association which is an organization of producers only and represents approximately 60% of the honey produced in the United States. I am currently serving as Legislative Chairman for the A.H.P.A.

The honey industry is unique in two areas:

1. Not enough honey is produced in the United States of America to meet domestic demand. Some imports are always required. Ref. 1
2. The dollar benefit of our industry to other agricultural commodities is far greater than the value of honey produced. (200 million dollars to 9.3 billion dollars added value.) Ref. 2

Five years ago here in Sioux Falls I had the opportunity to testify before a similar committee concerning the pending 1985 Farm Bill. At that time my industry was being faced with an onslaught of honey from foreign nations. Domestic honey had been replaced by foreign honey on the store shelves. CCC warehouses were for the first time since the 1949 Farm Bill taking over major amounts of honey.

When work commenced on the "1985 Food Security Act" a compromise was reached between the House and Senate conferees and industry leaders to change the honey program to a "lower loan repayment rate program."

I am happy to say that this new program is working well. Domestic honey is back on the store shelves and not in government warehouses. There is a real possibility that none of the "1989" crop will be forfeited. Imports are once again as they should be, filling the shortfall between domestic production and consumption. Costs of the program have been reduced from 80.8 million dollars in 1985 to 41.7 million dollars in 1989. This is a 50% reduction.

The American Honey Producers would therefore, like to go on record as supporting a continuation of the current Honey Support Program in the 1990 Farm Bill. There are, however, two changes we would like to see:

1. That further reductions in the loan rate be stopped or better yet, loan rates be increased. Honey has already taken an 18% reduction in the loan rate over the last 5 years. Ref.3See Chart. This is a greater cut than any other commodity. (Wheat and corn were cut approximately 9%.) My organization would like to see any future cuts, if needed, distributed equally among all commodities and would hope that before any future cuts in our program are made, Congress will take into consideration the abnormally high cuts we have already shouldered.

In the last five years beekeepers have been faced with the introduction of two bee pests (Varroa and Tracheal Mites). These pests have caused serious economic damage to the industry. If researchers are correct, the "Africanized Bee" will soon cross the Mexican-United States border. Although I am confident my industry will be able to cope with this new challenge an additional ecomomic impact will certainly be incurred.

2. We are also opposed to the maintaining of an $250,000.00 forfeiture cap on our commodity. (Not to be confused with the $250,000.00 payment cap on benefits.) The forfeiture cap is potentially detrimental to the welfare of the entire honey industry as producers with production above this cap may be forced to sell, thereby depressing the entire honey market. Also we are the only commodity to be under such a restriction.

Thank you for your time and willingness to come to Sioux Falls to receive our input in regard to the new Farm Bill.

Ref. 1 Page 18 1990 Honey Backgrounder, Fred Hoff & Jane Phillips
Ref. 2 Page 11 1990 Honey Backgrounder, Fred Hoff & Jane Phillips
Ref. 3 Chart of Reductions for Honey in the 1985 Food Security Act.

(Attachment follows:)

1985 Food Security Act

Reductions for honey:

Year	Average loan rate	Reduction cents per lb.	Additional Reductions 1988 Budget Reconcilliation
1985	65.3		
1986	64.3	.0100	
1987	62.3	.0200	.0200
1988	59.1	.0312	.0075
1989	56.36	.0296	.0050
1990	53.54	.0282	.0025

Comparison of cuts with other commodities:

Wheat	8.67%	
Corn	9.24%	
Cotton	10.00%	
Rice	10.00%	
Honey	18.10%	Plus Budget reconcilliation cuts

Policy Statement of the South Dakota Oilseeds Council

February 10, 1990

Introduction.

Mr. Chairman and members of the subcommittee. My name is Milt Lakness. I am a sunflower producer from Hazel, South Dakota. I am here representing the South Dakota Oilseeds Council, which promotes sunflower, safflower, flax and canola. I appreciate very much this opportunity to provide input into the oilseeds provisions of the 1990 Farm Bill. I have prepared a brief statement.

Statement.

We have just begun a new decade and the oilseeds industry is at a crossroads. World demand for oilseed products is at an all-time high, while U.S. production and market share is plummeting. U.S. and Western industrialized nations' dietary concern for healthier fats and oils is growing stronger. World consumption of oilseed meal and vegetable oil has grown at more than twice the rate of wheat and coarse grain consumption this past decade. During the same period, world trade in oilseeds and its products has grown at more than twice the rate of wheat and coarse grains.

In response to this incredible demand for oilseeds, the United States has reduced the area planted to oilseeds by 10 million acres, cut its oilseed production, and sharply reduced its share of world markets while the demand for healthier oils grows in the U.S. Since 1981, sunflower acreage in the U.S. has declined by 70 percent. South Dakota is the nation's second leading sunflower producer. In South Dakota, sunflower plantings have declined from a high of 720,000 acres in 1979 to our current level of about 300,000 acres. Many factors have contributed to this decline in our own state, but we believe the primary reason is the government farm programs discriminating against sunflowers.

We are losing our hold on the oilseeds market because the nation's farm programs since 1981 have provided disincentives to planting oilseeds. The 1981 Farm Bill encouraged farmers to build base acres for program crops to maximize returns. In 1985, the Food Security Act increased target prices for corn, wheat and other program crops making it impossible or at least impractical to plant soybeans, oats or sunflowers. Even when the market was favorable, underplanting of permitted acres would reduce the farmer's base and consequently reduce future program benefits. At that time, deficiency payments became such a major part of farm income that few farmers could afford to stay out of the program. So they farmed the bases until even formerly profitable non-program oilseed crops like safflowers began to lose and continue to do so.

Farmers who do not participate in price support programs are free to plant the most profitable mix of crops based on market prices. But those who are in the programs must comply with the restrictions those programs impose on production. High program participation rates mean that production is dominated by program requirements. Those program requirements have sharply reduced total farm sector flexibility. In short, farm programs have forced farmers to plant to those programs, not to the markets. We believe one of the primary causes of the crisis in our industry is that decrease in planting flexibility.

Mr. Chairman, the 1990 Farm Bill provides us with an opportunity to address that problem and fundamentally change U.S. farm policy, as it effects our product for the next five years. Restore planting flexibility.

I would like to be able to tell you that our industry has figured out a way to increase the opportunity and incentive for producers to grow sunflower at no additional cost to government. Unfortunately, that just isn't going to happen. All we can do at this point is ask the agriculture committees of Congress to appreciate the severity of the crisis facing the domestic oilseed industry, and to make resolving it a top priority in this year's farm bill. The sunflower industry will be as flexible as possible in supporting alternative solutions.

We should acknowledge that we are facing problems that affect all oilseeds, and that any solution must address all oilseeds. Although there are important differences between them, soybean, sunflower, canola and other edible oils compete for similar markets. Prices of the smaller oilseeds are determined by using formulas based on the soybean oil contract on the Chicago Board of Trade. Any change in the competitive position of soybeans has a direct and immediate impact on the other oilseed crops. There should be an across-the-board approach to oilseeds, treating them all the same as to not disadvantage producers of any oilseed crop.

Soybeans are the benchmark oilseed crop in the U.S., and whatever policies are developed for the smaller crops will be heavily influenced by what is done on soybeans. Sunflower acreage in our state and across the nation is minimal compared to soybeans, so the soybean industry will be more influential in establishing program requirements. The sunflower industry is committed to supporting any approach adopted for soybeans that is equitable and achieves these objectives.

With regard to the "Graduated Equity Loan" plan advanced by the American Soybean Association, we fully endorse the establishment of equitable income protection levels for oilseeds based on the target prices of crops that compete for acreage. In the case of oil-type sunflower, the National Sunflower Association has derived an income support of 10.2 cents per pound. The rate for confection sunflower, which has a higher production cost, would be proportionately higher.

Sunflower producers in our state are prepared to accept ASA's proposal factor any acreage reduction requirement into the income support level, and restrict income protection to a portion of production. Alternatively, we would be willing to work with the agricultural committees of Congress to establish an acreage base for oilseeds as under regular farm programs.

One important area that ASA does not address is the need to provide for planting flexibility. Our industry has lost most of its 1981 acreage and remaining crushing plants are operating at 50 percent of capacity. We need to regain acres lost to wheat and feed grain programs over the past ten years. An opportunity to plant sunflower, and other oilseeds, on program acres must be a part of the answer. An increase in acreage for all oilseeds would be substantially greater if producers were allowed to substitute freely on program crop acres in addition to the ASA plan.

We understand that members of the Committee may be considering the possibility of extending the marketing loan to oilseeds instead of adopting a traditional farm program. The sunflower industry actively supported the efforts to establish a marketing loan for oilseeds in

1987 and 1988 as an effective means of competing for world markets. We would be very interested in seeing the Committee work with the National Sunflower Association to develop a workable formula for an oilseed marketing loan in the farm bill if this direction is chosen.

Also under review is the so-call "flexi-ARP" concept, under which producers would have several alternative sets of income support and acreage reduction levels from which to chose. Depending upon how planting flexibility and oilseed income support are included, the sunflower industry is prepared to work with the Committee to develop an effective program.

In South Dakota our most consistent limitation to production is moisture. Currently the subsoil moisture reserve is critically short. We need more flexibility to plant drought tolerant crops. Sunflowers are an excellent drought tolerant rotation crop. Production costs are about equal to small grain costs, but it can be placed on ground in the later years of rotation and thrive. It is extremely drought resistant, has valuable insect and weed control characteristics, and its deep tap root system is able to absorb residual fertilizers. Experience shows that crop rotation raises yields and reduces out-of-pocket costs per acre for fertilizer, chemicals and tillage. Flexible planting would encourage rotation and be good for our farmers' production.

Wheat producers in the area of our state where sunflowers fit well in rotation with winter wheat face another governmental obstacle. Regulations from the state and county S.C.S. offices concerning conservation compliance drastically limit production. Erosion control is important, but in some areas the limitations by the S.C.S. on field size or crop type drastically reduce the profit potential for producers, even if the market is profitable. Sunflower producers to the south and west of South Dakota face similar regulatory restrictions. Research shows minimum tillage and no-till production look promising for oilseeds growers to produce profitably and still comply with good conservation practices.

At this time, we feel the Lugar-Leahy bill most accurately addresses the needs of the four oilseeds industry and would be the best for the nation's agricultural industry. Support flexible planting measures and allow oilseed crops to be planted on base acres without a penalty of base loss. Then provide deficiency payments on the permitted acres that are switched. Base protection and deficiency payments are critical. Our only reservation with this approach is that some producers may use the opportunity to expand future program base acreage rather than increase oilseed production.

Since sunflowers represent the largest acreage of crops the S.D. Oilseeds Council represents and offers South Dakota producers the most viable drought tolerant cash crop alternative, we ask you to take a bold step of support for the future of our South Dakota sunflower producers. Treat us equally with other crops in the farm program. Program policies must change to allow our producers to compete fairly using premium quality, healthy oilseed products if we are to participate in the excellent growth market for world vegetable oil consumption.

As the chairman of the National Sunflower Association said to you on February 1st, "Our conclusion is that having the opportunity to plant sunflower on program crop acres is not enough, even when the return per acre is better than that for wheat. In addition to opportunity, sunflower must have the same amount of incentive, which we define as an equal level of protection under the farm program."

TESTIMONY OF MARK BERG
BEFORE THE HOUSE SUBCOMMITTEE ON WHEAT,
SOYBEANS AND FEED GRAINS
UNITED STATES HOUSE OF REPRESENTATIVES
SIOUX FALLS, SOUTH DAKOTA
FEBRUARY, 10, 1990

THE 1990 FARM BILL

Thank you Mr. Chairman and good morning. I'm Mark Berg from Tripp, South Dakota, where I farm soybeans, corn, sorghum, wheat, oats, barley, hay, hogs and cattle. I'm here today as President of the South Dakota Soybean Association.

Soybeans are the #3 crop in South Dakota and represent almost 20% of the state's total crop receipts for 1989. Last year, South Dakota farmers harvested 49 million bushels of soybeans of 1.9 million acres. Our crop had a cash value of $225 million.

Soybeans have been a profitable crop for South Dakota farmers. We see tremendous worldwide markets for soybeans, yet we see our competition around the world expanding to meet the world's demands while we have our hands tied by government programs which favor program crops and encourage foreign soybean producers.

During the past ten years, foreign production of soybeans has increased an amazing 75 percent while U.S. production has declined 17 percent -- at a time when world market for soybeans is increasing 2-3 percent each year. For every acre the U.S. cut, our foreign competition added 1.3 acres. South Dakota farmers are concerned that foreign soybean producers will soon have control of the world soybean market and will reap the benefits at our loss.

Somthing must be done now to reverse these trends. If we wait until the 1995 Farm Bill, we will have lost a valuable opportunity to reverse U.S. acreage loss, and discourage more foreign expansion.

Current domestic farm policy encourages foreign soybean production by making the U.S. government the buyer of last resort at a guaranteed price in the event of surplus. At the same time, the U.S. government's other commodity programs are a contributing factor in the decline in U.S. soybean production.

Even when market prices indicate a shift to soybeans, U.S. farmers see more attractive returns for other crops because of government programs. For these understandable dollars-and-cents reasons, as well as to avoid losing base acreage, U.S. farmers maximize production of program crops. Foreign producers, however, can and do respond to soybean market price incentives by expanding acreage and production.

South Dakota farmers believe we need a program in the 1990 Farm Bill which will reverse these trends and allow us to regain the soybean world market. We've worked during the past two years with farmers across the country to develop a solution to the problems we face. We ask for your support for the Graduated Equity Loan program (GE Loan).

The GE Loan program has both income protection and planting flexibility as its foundation. It provides farmers with an incentive to grow soybeans in response to the market and puts soybeans on a more equal footing with other program crops. It also places foreign competitors at greater risk by removing the price floor set by the current non-recourse loan program.

Under the GE Loan program, farmers would be eligible for a loan based on target prices and ARP levels for corn and cotton. The percentage of a farmers' production eligible for the loan would vary, based on stocks levels. The remainder of the farmer's crop would be at market risk.

Farmers could repay the loan at the lower of the posted county price (PCP) or the county loan rate. To avoid government stockpiles, farmers would give up the right to forfeit their crop as payment of the loan.

Soybeans are produced in nearly 30 states - from North Dakota to Florida and from New Jersey to Texas. Farmers have regional differences but they have united around this program that provides both income support and flexibility. A program for soybeans in the 1990 Farm Bill must include both.

South Dakota farmers have suffered in recent years because of drought conditions which lowered both our yield and our profitability. In addition, our lower soybean protein content and lack of processing facilities in the state make income protection very important. We need to know that we'll have a safety net to fall back on when prices are low.

Flexibility, which is the other major component of the GE Loan, is also important to farmers in South Dakota. In recent years, we've seen some shift of acreage from oats and barley to soybeans. However, hardly any farmer is going to give up his corn base to grow soybeans. The guaranteed returns from corn make the risks of growing soybeans too great -- even though the market may signal soybeans.

An important part of the Graduated Equity Loan is that there would be no setaside requirement for soybeans. The soybean loan rate under the GE Loan reflects the setasides of other crops. In addition, only a percentage of a farmer's production would be eligible for loan.

We believe changes must be made in farm policy that create a more level playing field, that give soybean farmers a chance to compete with producers around the world. We believe the Graduated Equity Loan would provide us with that opportunity.

Soybean producers in the European Community can expect subsidies from their government of $15/bushel. But, U.S. soybean farmers aren't asking for handouts. We simply want the opportunity to compete and ask for the government policies that will allow it.

Mr. Chairman, we look forward to working with you and members of this Committee in finding solutions to the problems we face. I appreciate the opportunity to be here today and will be glad to answer any questions.

Presented by:
Brenda Forman
Executive Director, South Dakota Wheat, Inc.

My name is Brenda Forman and I am the Executive Director for South Dakota Wheat, Inc. First, I would like to thank Representative Glickman and Representative Johnson for presenting this opportunity to area producers. Meeting such as this, demonstrates a committment to the producer and ensure that an effective Farm Bill can be written.

The wheat producers of South Dakota believe that the 1985 Farm Bill accomplished many of its objectives and had major effects on agriculture as a whole. I truely believe that the 1990 Farm Bill has further changes in store due to the concerns of environment, food and water safety and farm income.

Past experiences have shown that one of the foremost needs in the 1990 Farm Bill is the concept of flexibility. The 1985 Farm Bill lead production toward monoculture. Producer's were encouraged to relenquish the flexibility options in order to maximize their program benefits. Recent years have shown producers the need for flexibility. One of the major benefits foreseen is producers farming for the markets instead of farming for the government. Present policies allows for choices based on government programs. To enhance flexibility, producers in South Dakota would like to see the return use of farm acreage bases. This program offers flexibility, base protection and market driven planting decisions.

In 1988 and 1989, wide spread drought decreased wheat carry-over dramatically. Even with the reduced supplies, prices hit a high and began to drop. In response to this Secretary Yeutter announced that producers could plant up to 105% of their base acre. While this may have calmed the nerves of many consumers regarding food shortages, it sent wheat prices downward. This decision leads producers to request a minimum set-aside of 5 percent. A minimum could limit government influence on the markets and place a control on government policy changes.

Target prices must be frozen at present levels. The 1990 Farm Bill should allow target prices to adjust with inflation instead of being decreased yearly. Other sectors of government support have provisions for cost of living increases, this area should be no different. It must be remembered that agriculture voluntarily wrote automatic cuts in the 1985 Farm Bill. Those cuts were taken along with additional cuts.

Grain surplus must be kept at a reasonable level to ensure a back-up, but should not be so high that the markets do not respond to low production reports. Storage should be placed on-farm and then use commercial storage facilities. Producers storing grain should be encouraged to maintain a high quality product and not receive penalties if varietal change is the method they choose.

Producers should be able to redeem commodity certificates for 100% of value immediately upon receiving them and not wait five months.

Loan rates at their present level are adequate but should be maintained. Some thought should be given to the ideas that have been developed regarding harvest loans, etc.

Producers should be allowed the use of proven yields for all government programs, including Federal Crop Insurance. To off-set for extreme highs and lows due to weather, maximum and minimum yield levels could be set (125% gain and 10% loss). A producer should be able to gain from the technology he or she uses. In addition to the use of proven yields, county averages must be re-evaluated. A producer raising sunflowers has raised 1200 lbs. per acre, yet on disaster payments, his county yield states 750 lbs. as maximum yield for his area.

"Crop Insurance or Permanent Disaster Program" is becoming a topic of intense discussion. Producers want a method to protect their lively hood much like any other businessman. But due to the inadequacy and complexity of present insurance programs and uncontrollable influences, he is left most often at the hands of mother nature, and not even the U.S. Congress can fool her. The droughts of 1988 and 1989 created much controversy when producers were required to purchase crop insurance before collecting disaster. Even more confusing is that most producers were covered better by the Disaster Legislation then the crop insurance policy they purchased. It appears we have two choices: 1) overhaul the present insurance program or 2) eliminate crop insurance and develop a permanent disaster program similar to that in earlier farm programs. A program, based on dollars per acre, has worked successfully for hail insurance and has promise for multi-peril. Producers are willing to pay more for a policy that gives them good protection.

Grain Quality has also entered into the 1990 Farm Bill. Reports are stating that we are not a consistant supplier of clean uniform grain. We are however a source of 1.4 billion bushels of wheat per year for importing countries. We are a source, a solid source of food. We produce the most kinds, some of the best quality (during normal weather years) and probably the safest food in the world. The U.S. farmers can supply whatever product is requested. We must also keep in mind that if quality has dropped in the last 2-3 years, it is in part, due to old grain being placed in to the market, two years of drought, government programs encouraging producers to optimize yields and lack of incentives from industry and consumers.

USDA's recent announcement regarding continuation of most export programs is welcomed by wheat producers. Sixty percent of our production goes to export. We must be allowed to play on a level field with other exporting nations. There is talk of eliminating "export distorting" measures, but we must be prepared should other countries choose not to participate. The Export Enhancement Program, the TEA Program and the Food for Peace must be continued.

Another area that I would like to address is environmental safety. First and foremost, anyone who cares for the land is an environmentalist - farmers are environmentalists. Environmental safety is perhaps the most controversial because it is so emotional. We need to protect our resources, but this means all people. Urban people use chemicals, fertilizers and other potentially hazardous products just like farmers and ranchers do. A realistic, rational approach must be used. Chemical use has given us safe, plentiful and affordable food. Do we want to give that up or are we willing to take the risk for the benefit? We do it for so many other things driving, flying, drinking, smoking, living with car exhaust fumes. We must search deep before we make judgments. Conservation programs must be continued. New methods of farming must be researched and developed.

Finally, I would like to stress that the 1990 Farm Bill must be the most competitive we can write. The final GATT negotiations will be running concurrently with the farm bill legislation and their outcome will govern markets into the 21st century which will inturn effect the way wheat producers farm.

In closing, I would like to mention that the 1990 Food Security Act will be written and passed with influences from all sectors of the U.S. I therefore believe all people should support it. The program benefits towns and cities more then the producer. The act should be re-titled the 1990 People Security Act. The American farmer has, and always will, supply enough high quality foods to meet consumer demands.

Comments and Testimony of Orrie Swayze

Good Morning Gentlemen: February 10, 1990

The American Coalition for Ethanol (ACE), is an organization dedicated to expanding profitable market opportunities for ethanol. ACE agrees with an earlier USDA report, stating ethanol is key to developing new industrial markets for ag products. Our members include various commodity groups, rural electric cooperatives, and ag processors producing ethanol and a variety of co-products. Our membership is located in South Dakota, North Dakota, and Minnesota. I am here today as a farmer member representing the American Coalition for Ethanol.

As a farmer I see disturbing similarities in marketing ethanol and corn. It seems product devaluation is the primary tool used to achieve market penetration. As an example, we saw Nebraska December ethanol prices were less than $.90 per gallon. State and Federal tax exemptions in Nebraska total $.90 per gallon. The reality was ethanol had a negative value in the market place. Paying people to take a product is a practice of those trying to dispose of a toxic waste. Current corn prices are well below the cost of production. Deficiency payments are a standard practice to assure continued crop production. Whether the product is ethanol or corn selling at prices for below the cost of production is a costly and disruptive way to gain market share.

Largely throughout its recent 10 year history, ethanol has been priced similar to gasoline. Ethanol's octane qualities have had little impact on ethanol values. Rack price of gasoline plus the $.60 per gallon federal tax [illegible] usually dictates the approximate price of ethanol. Octane value is just passed to the consumer. If the additional octane value can be gained by the processing industry, market value of ethanol will increase approximately $.50 per gallon. If this entire increase in value is passed to the bushel of corn, corn values would increase $1.25 per bushel. A challenge for those seeking new industrial markets for corn is to market ethanol in a manner that assures its octane value is considered. ETBE represents a new technology that promises to move ethanol into the higher value octane market. Creative product development such as ETBE allows ag products to enter new fast growing markets. Currently, ethers represent the fastest growing market for gasoline octane enhancers. ETBE, non-discriminatory labeling requirements, ag policy, clean air policy, and an effective national energy policy are tools we can better use to insure that ethanol and ag commodities receive fair market value in the market place.

Again, as a farmer I see an ag industry working hard to self destruct. Our main concern is to gain export market share by reducing the value of ag products. We have declared an agricultural trade war with the European community. It appears the European community is winning the war. 20% of the world ag trade is coarse grains, 20% is intermediate processed products, and 60% is high value ag products.

The United States has 7% of the large high value ag trade. The European community has 50% of the high value ag trade. As Cooper Evans suggests, it is time to focus ag export policy "where the action is" in the value added world ag trade.

Considering our failure to achieve market share in the value added export trade, and our failure to significantly expand domestic agricultural industrial markets, where does the U.S. achieve the highest value for CCC resources? - Condemning them to a coarse grain export war or utilizing them to build rural America and a grain processing industry that is able to provide many useful products for the competitive domestic and foreign market place?

Section 1024 of the 1985 Farm Bill, allows CCC assets to be made available at no cost to liquid fuel producers utilizing agricultural commodities as feed stock. Section 1024 directed to new or expanding facilities can be a valuable resource to build new grain processing capacity in rural America. Export enhancement has received generous volumes of CCC assets to export coarse grains. To date, Section 1024 has not been used to direct CCC assets to new or expanding grain processing facilities. Had we directed more CCC assets to rural America and agricultural processing, we would have a variety of products available for the export trade. Had we directed more resources to new agricultural processing facilities; ethanol and its processing co-products would be leading agriculture into new domestic and foreign markets. New domestic industrial markets and high value ag products for export offer new tools in utilizing the massive resources agricultural producers have made available.

In summary, the 1990 Farm Bill must include incentives to develop domestic and foreign industrial ag markets. The current tax incentives to ethanol and ETBE must be extended beyond the year 2000. CCC assets must be used to develop new processing facilities, and new industrial ag markets must replace what Sec. Yuetter calls the sheer economic madness of an agricultural trade war. U.S. policy makers must not deceive themselves into thinking all trade problems are solved if agricultural commodity prices are decreased. As loan rates and targets are lowered, the U.S. is not becoming more competitive. The reality is that the costs of financing the sheer economic madness of an agricultural trade war are passed to the ag producer. The consumer and the ag producer will continue to lose unless the U.S. becomes a more creative and successful marketer of ag products.

(Attachment follows:)

BIOGRAPHY

Orrie Swayze, Farmer
RR 2
Wilmot, SD 57279
(605) 938-4141

1965 - Graduate of South Dakota State University. BS in General Chemistry.

1965/1971 - Served as pilot in the United States Air Force. Vietnam Veteran.

1971/1972 - Chemistry Teacher. Grant Deuel Public High School.

1971/Present - Grain and Livestock Producer. Rural Wilmot, S.D.

1986/1988 - President, South Dakota Corn Growers Association.

AMERICAN OAT ASSOCIATION
415 SHELARD PARKWAY
SUITE 101
MINNEAPOLIS, MN 55426
(612) 542-9817

STATEMENT OF GORDON BROCKMUELLER
AMERICAN OAT ASSOCIATION

BEFORE THE
COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON WHEAT, SOYBEANS, AND
FEED GRAINS
U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 10, 1990

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to appear before you this afternoon to discuss the American Oat Association's recommendations for the 1990 farm bill.

I am Gordon Brockmueller, a producer from Freeman, South Dakota and a member of the Board of Directors of the American Oat Association (AOA).

The AOA was formed in November, 1988 to represent the interests of the entire domestic oats industry -- from producers to food manufacturers. We represent oat farmers and seed companies from all the major oat producing states, including North and South Dakota, Iowa, Minnesota, Wisconsin and Nebraska. We also represent traders, elevator managers, millers, researchers, and food and feed manufacturers.

Over the past year, there has been a tremendous explosion of interest in oats based on research findings that oat bran, when combined with a low-fat, low-cholesterol diet, can lower cholesterol levels. As a result of this research, health-conscious American consumers have dramatically boosted their demand for oat-based products. The amount of oats used for food has risen steadily during the early 1980s and turned sharply upward in the last two years. We expect this demand to continue to strengthen in the future as more and more consumers become aware of the link between diet and health and the nutritional benefits of eating oats.

Although consumer demand for oats is at an all-time high, U.S. production of oats has remained at a level insufficient to meet domestic demand. This production shortfall has forced the United States into large-scale imports of foreign oats to augment domestic supplies, making oats the only major grain imported in any quantity into the United States today.

The United States became a net importer of oats in 1982 and oat imports have risen steadily since that time. Oat imports accounted for less than 1 percent of production in 1982, but rose to approximately 28 percent of production in the '88-'89 crop year when the United States imported 60 million bushels.

While imports of this magnitude were due in some part to the 1988 drought, the greater part of this shortfall was a direct result of years of production declines. Indeed, even before the drought, U.S. oat production in 1988 was expected to hit a 100-year low.

U.S. oat production rebounded slightly this year due to an important flexible planting provision for 1989 crop oats, but imports were still calculated at 55 million bushels.

The continued domestic shortfall of oats is of major concern to the AOA. We are extremely concerned about the growing reliance on foreign sources of a basic grain such as oats. We find that many of these imported oats are inferior to domestically produced oats. And we strongly believe that American, rather than foreign, producers should be the major beneficiaries of the growing consumer demand for oats.

Why the shortage of oats? The answer lies largely with current farm programs and the way they are implemented. Although the Food Security Act of 1985 has been successful in making U.S. agriculture more competitive in world markets, in bringing supply and demand more into balance for most major commodities, and in reducing the budgetary cost of these programs, it has not benefited all commodities equally. This is especially true in the case of oats.

The problem is threefold:

1) Both the 1981 and 1985 farm acts, and the Department of Agriculture's implementation of the feed grains program authorized under those laws, set oat target prices too low relative to other competing crops to provide sufficient price protection and incentives for farmers to grow oats. In fact, the oats target price level is so low as to be non-functional and, when compared to the Federal returns on competing crops, actually provides a disincentive to grow oats. Simply put, farmers make more money -- from the market and the Government -- when they grow corn, wheat, sorghum or barley instead of oats. And even in those instances when the oats market price is extremely strong, as it was last summer, oats become noncompetitive with these more highly supported commodities when Federal payments are factored in.

2) The problem of inequitable target prices is compounded under the current inflexible base acreage program that, in effect, locks farmers into growing the more highly supported commodities year after year, regardless of current market conditions. Prior to the flexible planting provisions for 1989 soybeans and oats, higher target prices for competing grains and farmers' natural desire to maintain maximum eligibility for those federal payments prevented them from responding to strong soybean and oats prices. Very few farmers were willing to sacrifice their future years' wheat or corn base with its guaranteed high Federal payment for one year of high oat or soybean prices. Moreover, given the limited value of the oats base, some oats acreage shifted into soybeans in 1987/88, creating even more pressure on oat supplies.

3) The Conservation Reserve Program (CRP), designed to remove up to 45 million acres of highly erodible cropland from production by 1990, also has had a

significant adverse effect on oats production. Oats, because they have a lower return per acre than other crops, have been relegated to the least productive acres of the farmstead, the same acres that are likely to be the first candidates for entry into the CRP.

The disproportionate amount of oats acreage moving into the conservation reserve is ironic in light of the many positive environmental benefits of growing oats.

Oats are an excellent soil erosion control crop. Unlike row crops that leave a significant portion of soil exposed to wind and water erosion, the dense cover provided by oats actually protects the soil. In certain crop rotations, oats also require minimum tillage (plowing) which helps prevent erosion -- the less a farmer has to plow up or disturb the soil, the less prone that soil is to erosion.

Oats' special properties also make them an excellent rotation crop. Not only does crop rotation in general help lessen the need for chemical fertilizer application by preserving the soil fertility, oats require less nitrogen from the soil (or a minimum amount of fertilizer) when compared to many other crops.

Oats are also often used as a "natural herbicide" -- grown as a companion (or starter) crop to establish forage crops and to shade areas where weeds would grow.

All these properties make oats an environmentally-sound crop, yet oats production is being unintentionally and inappropriately restricted through the conservation reserve.

These three program provisions -- inequitable target price levels, an inflexible base acreage program and the CRP -- have prevented U.S. farmers from responding to the growing demand for high quality oats. Instead of production increases stimulated by strong oat prices, U.S. oats production remains flat or depressed.

But U.S. agriculture does not exist in a vacuum. As I noted at the outset, high U.S. prices have stimulated foreign production -- for example, Canadian oat acreage has steadily increased. This trend can be expected to continue in the absence of increased oat production at home.

Recognizing this, Congress has taken a number of important steps over the last few years to address the problem of insufficient production incentives for oats:

Pressure from several members of this Committee resulted in the Department of Agriculture's lifting of cross-compliance requirements for oat producers in the 1988 and 1989 feed grains programs, providing farmers in other commodity programs with additional flexibility to plant oats.

The Omnibus Budget Reconciliation Act of 1987 directed the Secretary of Agriculture to establish a reduced acreage program of no more than 5 percent for the 1988-90 crop oats to encourage additional plantings. With the barley ARP maintained at 20 percent, the 5 percent oats ARP was intended to allow the market price for oats to compete with the higher target price for barley. Unfortunately, although we did see a slight shift from barley to oats in 1988, both barley and oats acreage fell as farmers instead opted for the conservation reserve or planted soybeans. Moreover, the 5 percent oats ARP advantage was dramatically reduced in 1989 when the barley ARP was set at 10 percent.

Finally, and perhaps most importantly, the 1988 drought assistance package provided needed planting flexibility for oat producers. This oats program allows farmers to plant any portion of their farm acreage base to oats in 1989 and 1990 (except that designated to soybeans) if the feed grain acreage reduction program requirement is 12.5 percent or less of the crop acreage base. This amendment guarantees that additional oats plantings will not alter a farm's existing acreage base for future crop years and should provide wheat, corn and sorghum producers with increased flexibility to plant oats in response to anticipated strong oat prices.

These program changes, while important, were necessarily limited in their scope and effect by their piecemeal nature. However, the problem in oats cannot realistically be solved without a comprehensive examination of the interrelationships among all the competing program crops. Thus, the upcoming omnibus farm bill offers the best opportunity in years to address the severe problems facing the U.S. oats industry.

Resolving the shortfall of high-quality U.S. oats will be difficult. AOA remains concerned about the very real potential for increased instability in the oats sector as we attempt to bring domestic supply more in line with demand. The commodity programs crafted in the 1990 farm bill will determine if the United States will once again become self-sufficient in oats, with a minimum amount of economic dislocation to domestic oat producers. To that end, the American Oat Association urges Congress in developing the commodity provisions of the 1990 farm bill to design programs that will:

* Provide adequate production incentives to and income protection for American oat farmers;

* Expand U.S. oat production to meet increasing demand for oat products by health-conscious American consumers; and

* Provide a stable, reliable source of high-quality U.S. oats.

To achieve these objectives, the AOA recommends the following two policy recommendations in order of priority. The recommendations are followed by an optional program for oats.

Realign target prices to remove disincentives to oat production and to provide adequate income protection to oat producers.

Most United States grain production is supported through a system of target prices and deficiency payments. Farmers receive income-supplementing deficiency payments when market prices fall below a government-established target price--the per bushel price the government determines provides an adequate return to the farmer. Target prices guarantee farmers a certain price for their product and thus, reduce risk. The higher the target price, the less risk and the more production. This is an unintended consequence of a target price system--a too high target price provides a strong production incentive and often results in excess production. Conversely, a low target price provides a disincentive to production and can result in a crop shortfall.

The 1981 and 1985 farm acts provided two major disincentives to oat production. First, and foremost, target prices for competing grains--corn, wheat, and barley--were set significantly higher than the oat target price. This meant corn, wheat and barley producers incurred substantially less risk in producing these commodities compared to oats because of the more generous government-guaranteed deficiency payments. As a result, corn, wheat and barley production rose and oat production steadily declined.

Since the oat target price was first mandated by Congress in 1982, the USDA has consistently set the oat target price too low. The precise method USDA uses to determine the various feed grain targets has always been obscure. What is clear, however, is that the USDA formula does not use the same criteria in determining targets for each feed grain, resulting in significant imbalances among these competing commodities.

The target prices for competing feed grains have been set in relation to the corn target price. This requirement biases the entire feed grain program in favor of corn and is a major factor in today's oat shortage.

In evaluating oats as a food/feed grain, it is important to keep in mind that in the past 3 marketing years, food quality oat demand has grown from 64 million bushels to over 90 million bushels so that in the past marketing year, oats used in food products was 30% of the total disappearance. This is expected to increase to 110 million bushels of food quality oat demand in the current marketing year.

Increase planting flexibility to allow farmers to respond to market conditions.

Prior to 1981, program acreage was determined on a "whole farm" basis. Under the Normal Crop Acreage (NCA) program, a farmer had an overall farm acreage base, with that base determined by his 1977 plantings. The 1981 farm act authorized crop-specific, rather than whole farm, bases. For program purposes, farms were divided into individual crop bases--a corn base, a wheat base, an oat base, and so on. These bases were determined by actual previous years' plantings. For 1986 crops and beyond, acreage base was determined by averaging the farmer's previous years' plantings, dropping the high and low years for a rolling average.

By limiting the farmer's flexibility to choose among the mix of crops on his whole farm base, the new crop-specific base provided greater control over production.

However, the inflexibility of the program is also a major disadvantage, especially when combined with the unequal incentives of the current target price system.

If the market price is telling the farmer to plant more oats than wheat, he can't make the change without sacrificing or risking his wheat base. If he cuts his wheat base, he 1) reduces his future eligibility for the higher wheat deficiency payment and 2) increases his risk by betting on next year's oat market price rather than relying on a Federally guaranteed wheat price. Fear of risk motivates farmers to remain locked into maintaining their bases, farming the farm programs rather than producing for the market.

Programs must be revised to remove the rigidity that prevents farmers from responding to current market conditions. AOA strongly supports the concept of flexible planting. Under the current system of inequitable target prices, however, we can support only those proposals that are truly market-oriented--those programs that allow farmers to plant solely for the market, without the benefit of target price protection. The triple-base proposal falls into this category as does the flexible oat planting provision in effect this year.

AOA believes, however, that simple base substitution or reversion back to the Normal Crop Acreage (NCA) program would not encourage farmers to plant for the market, at least not under the current target price system. Indeed, as our experience with the combined barley/oat base has shown, farmers naturally would tend to plant the more highly supported commodities. These programs do provide farmers with flexibility, but unfortunately it is only a flexibility to "farm the farm programs." And with continued non-functional target price protection for oats, oats acreage would dramatically decline under these latter two proposals.

Base substitution or the NCA become viable market-oriented flexible planting programs only if the current target price system is revised to provide a level playing field for all program commodities. It is then, and only then, that AOA could support either of these two options.

An Optional Oat Program - A Domestic Enhancement Price (DEP) for Oats.

The goals of this program would be (1) to increase domestic production of oats by more fully compensating producers for oat production relative to other subsidized crops and (2) to encourage the expansion of the U.S. oat processing industry by providing adequate supplies of domestically grown oats. A brief outline of the program provisions are:

* Allow producers with an existing oat base to expand their oat plantings by an announced percentage and receive a Domestic Enhancement Price (DEP) of $2.00 per bushel on the additional harvested acreage.

* The announced percentage of base to expand is determined by a domestic production target of 450 million bushels. If domestic production is projected to fall below 450 million bushels, the Secretary would be required to permit producers to exceed their base by 15-30%. If domestic production is projected to exceed 450 million bushels, the Secretary would be required to permit producers to exceed their base by 0-15%. This additional acreage could not be used to build oat base acres.

* The producer would receive a Domestic Enhancement payment calculated by the difference between the Domestic Enhancement price and the average market price for oats times his program yield.

* The payment would be made only for harvested acres. At the discretion of the Secretary, the payment could be made with either cash or certificates and partial payment could be paid in advance.

* Base acreage for other program crops would be maintained if oats are planted on that base.

* The Secretary would be required to announce a 0% ARP for oats when domestic production is projected to fall below 450 million bushels.

* Additional costs of the DEP program are limited to the expanded acreage only and are largely offset by savings from other program crop payments and the reduced need for EEP payments to dispose of surplus grain stocks.

The inequities in target prices, combined with inflexible acreage bases, explain why U.S. oat production continues to fall in spite of increasing demand for food quality oats.

The American Oat Association contends that grain target prices should not provide an incentive to one or more commodities at the expense of another. And acreage bases must be made more flexible so that producers can respond to market signals.

A more equitable target price system, coupled with greater flexibility to respond to the market, will help the United States return to self-sufficiency in oats. Farmers want to grow oats, but they don't want to be penalized for doing so.

Oat millers and processors want the high-quality U.S. oats to meet rising consumer demand. For over 50 years, private industry has funded oat research in this country to develop an oat crop that is unequaled anywhere in the world in terms of quality.

And lastly, American consumers are demanding more oat-based products as they come to realize the nutritional and health benefits of eating oats. Farm programs must be revised to allow farmers the freedom to meet this demand.

Thank you again, Mr. Chairman and Members of the Committee, for this opportunity to discuss the oats program.

Oat production, price and import data, along with a comparison of subsidy levels among the competing grains, is attached.

(Attachments follow:)

CHANGE IN OATS TARGET PRICES REQUIRED TO EQUAL RETURNS FROM OTHER CROPS

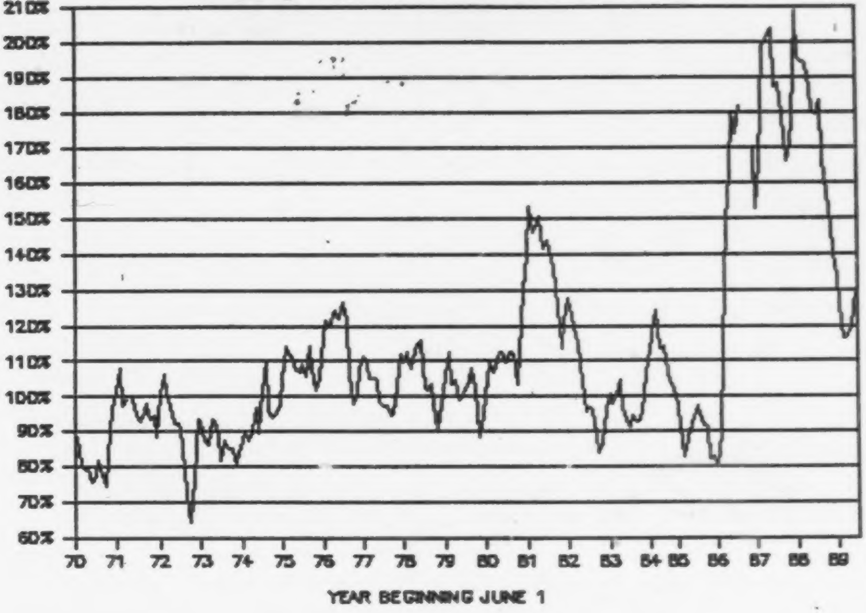
	1990
CORN	$1.63
BARLEY	$0.36
WHEAT	$0.60
SOYBEANS	$0.63

ASSUMPTIONS

- Reflect upper midwest returns (Minnesota, N. Dakota, S. Dakota and Iowa)
- Five year average yields
- Returns over variable costs of production
- Participation in feed grain and wheat programs

CONCLUSIONS

- For program returns for oats to equate to those for barley and wheat, oats target prices would need to be increased $0.36 and $0.60, respectively.
- Competitive returns to corn would require a $1.63 increase in in the oats target price.
- At the current loan rate for soybeans, a $0.63 increase in the oats target is necessary to be competitive.



OATS TO CORN PRICE RATIO

Monthly Prices, Pound for Pound

- Oats prices reached historically high levels in the 1987 and 1988 crop years.

- Despite the subsequent decline, oats prices have recently increased relative to corn.

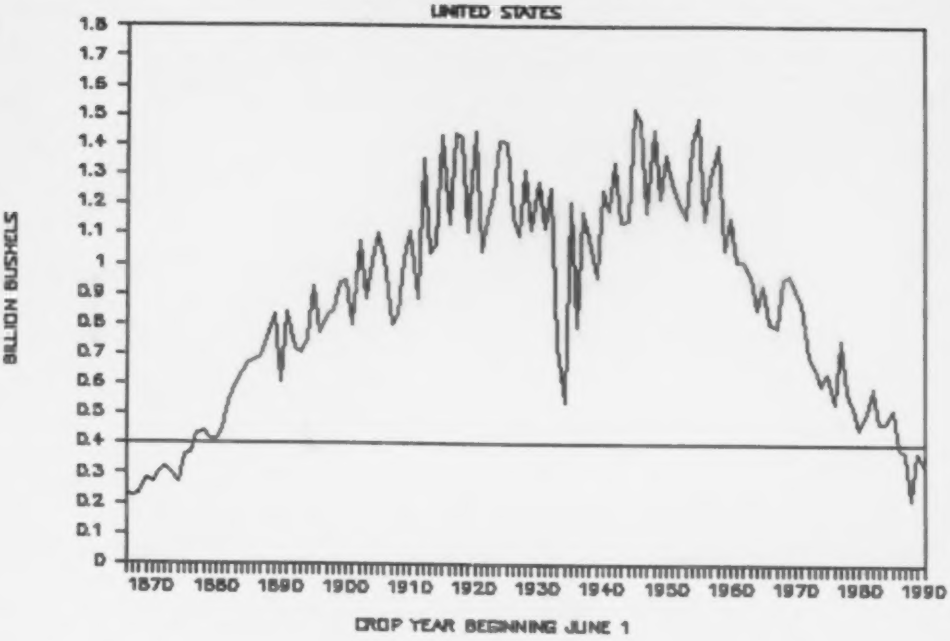
WHEAT & FEED GRAINS PROGRAMS - 1990

	TARGET PRICES	LOAN RATE	MAXIMUM DEFICIENCY PER BUSHEL	MAXIMUM DEFICIENCY PER ACRE*
WHEAT	$4.00	$1.95	$2.05	$72.37
CORN	$2.75	$1.57	$1.18	$131.57
OATS	$1.45	$0.81	$0.64	$34.27
BARLEY	$2.36	$1.28	$1.08	$52.10
SORGHUM	$2.61	$1.49	$1.17	$76.75
SOYBEANS	$0.00	$4.50	$0.00	$0.00

*BASED ON 5 YEAR AVERAGE NATIONAL YIELDS

- Target prices and loan rates for oats have been historically low relative to corn, sorghum, barley, and wheat.
- Potential deficiency payments per acre for oats are 65% of barley, 48% of wheat, and 29% of corn based on 5 year national average yields.
- The disparities in potential deficiency payments clearly indicate the disincentives that farm programs provide for oats production in the U.S.

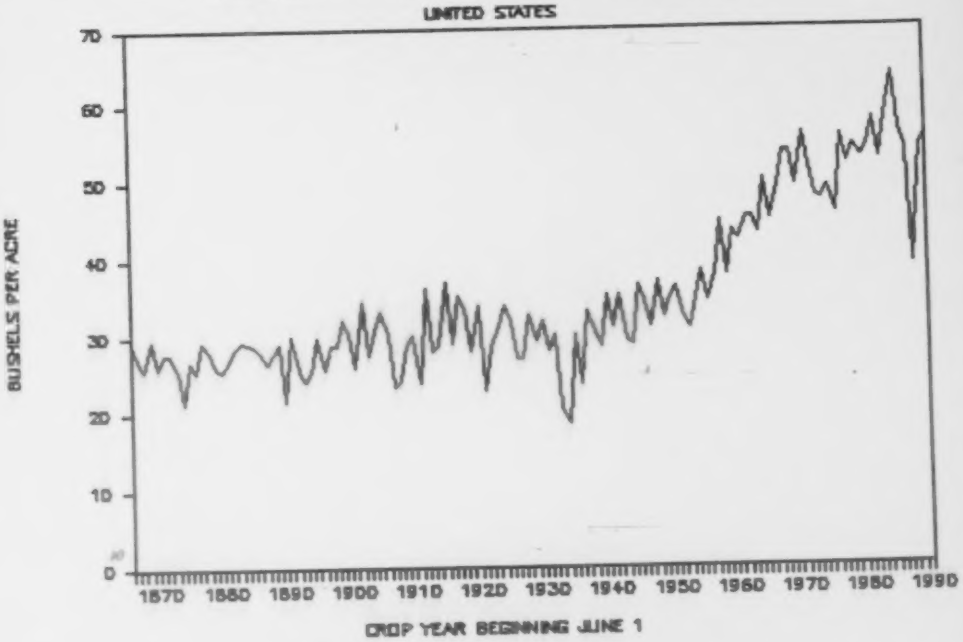
OATS PRODUCTION



- Even in a non-drought year, 1989 oats production was the lowest in history except for the drought impacted 1988 crop.

- Oats production in 1989 was down 76% from the peak in 1945 despite expanding demand for oats as a food grain.

OATS – YIELD PER ACRE



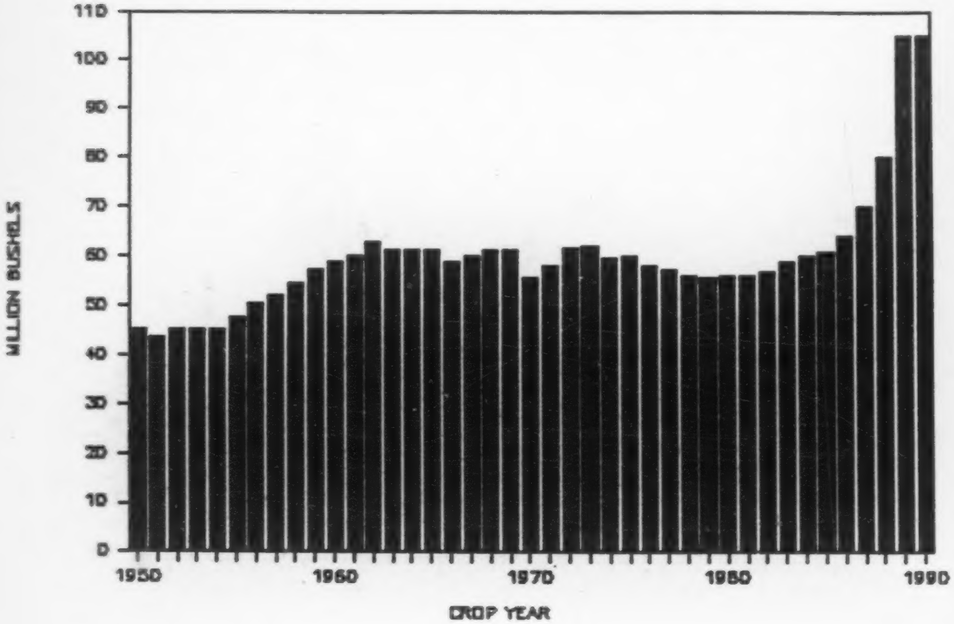
- Oat yields have been on the uptrend since the early 1950's. Private funding for varietal research was started in the 1940's.

- Private industry funds research at 15 public institutions in the U.S. in an effort to improve productivity per acre and to increase protein levels in oats.

- A number of new varieties have been released as a result of this funding.

- OGLE--A variety developed at the University of Illinois with private funding is now the most productive and widely grown variety today.

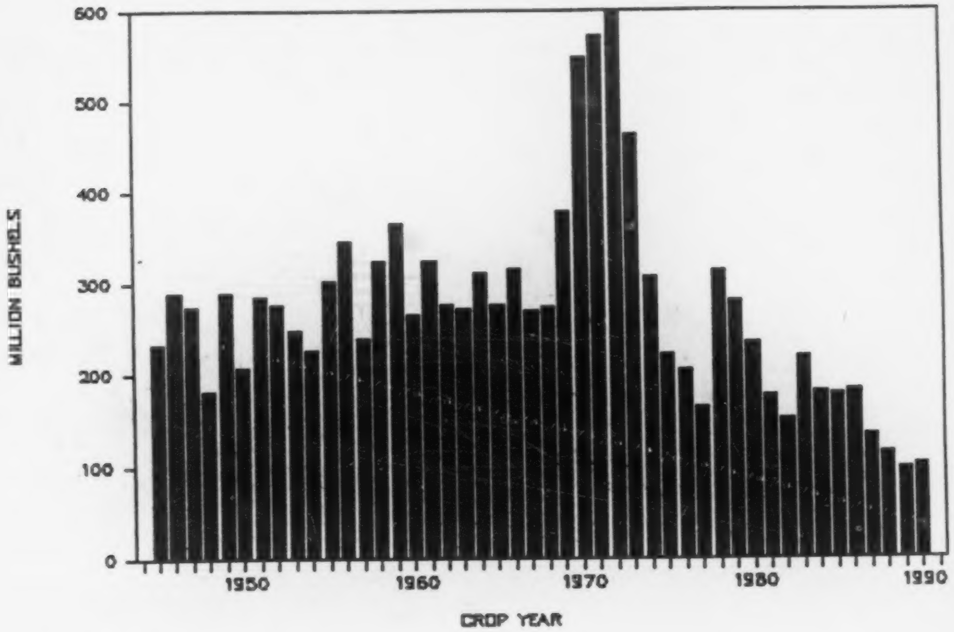
OATS – U.S. FOOD USE



- Milling demand has more than doubled since the 50's with most of this increase comimg in the past two years.

- Oat bran production is a key to this increase as it takes more oats to produce bran than flour or flakes.

OATS – CARRYOVER STOCKS

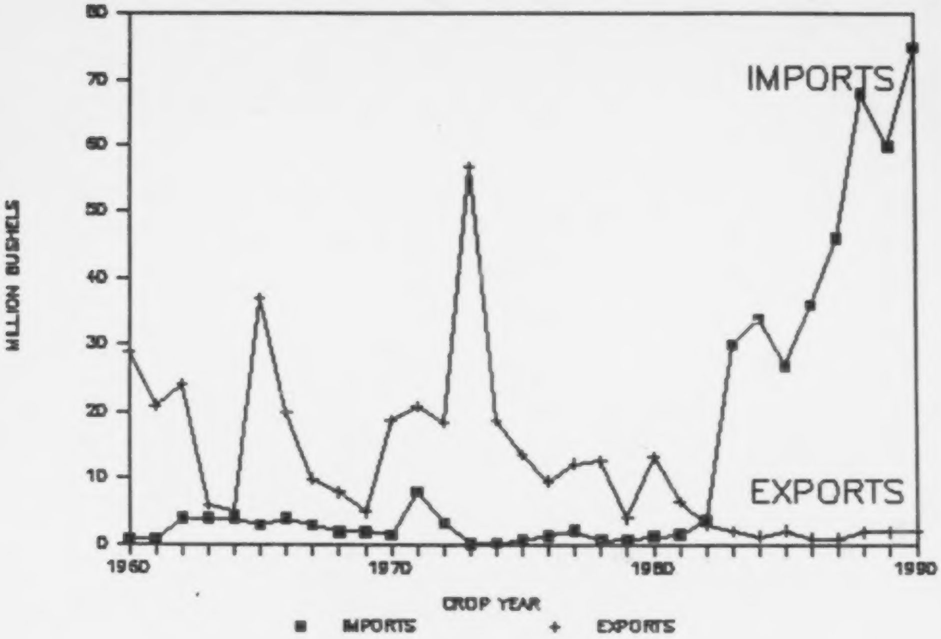


- Oats stocks on June 1, 1989 were estimated to be 98 million bushels, the smallest in recent history.

- Oats stocks on June 1, 1990 are expected to be only slightly higher than the previous year.

- The low stocks place increased emphasis on the need for a quality oats crop in 1990.

OATS – FOREIGN TRADE, UNITED STATES

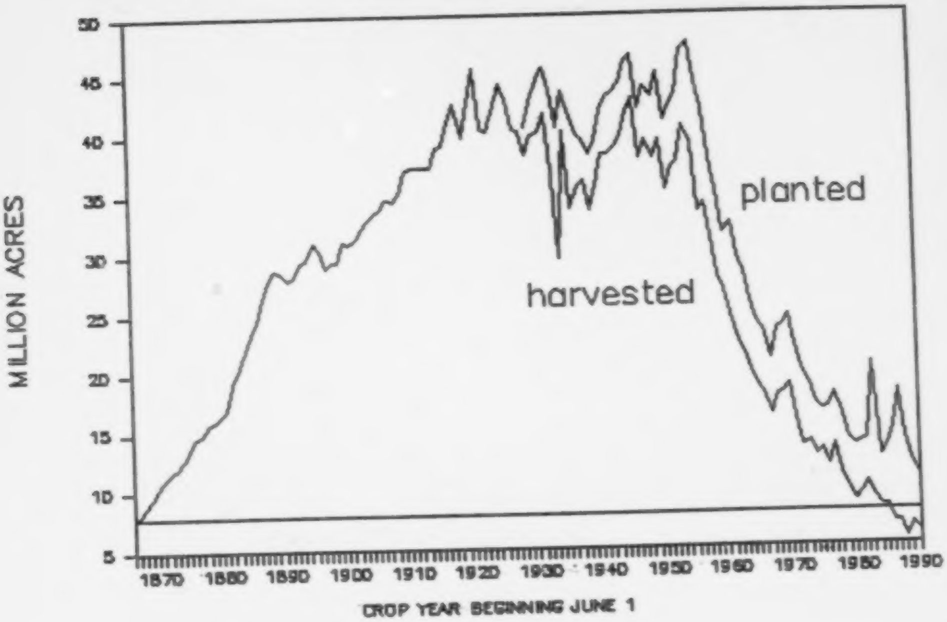


- The U.S. has been a net importer of oats, rather than a net exporter, since 1982.

- U.S. imports continue to grow, peaking at 68 million bushels in the 1988/89 crop year. Imports are forecast at 60 million bushels this year, according to USDA.

- Industry estimates suggest 1990/91 imports could exceed 70 million bushels.

OATS - ACREAGE, UNITED STATES

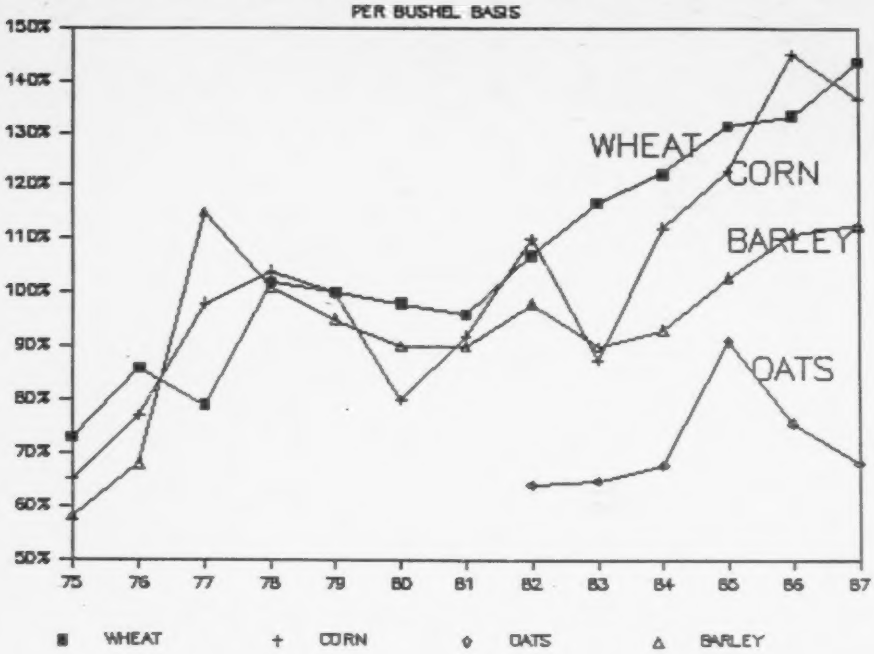


- Historically low oats acreage harvested for grain has persisted since 1986.

- Disparity in planted and harvested acreage in recent years reflects oats planted as cover crops on ARP, PLD, and Conservation Reserve acreage.

- Currently low oats prices, due in large part to imports, are expected to further discourage oats planting.

TARGET PRICES AS A % OF ECONOMIC COSTS



- Oats target prices per bushel, as a percent of total costs of production (including land and labor) per acre, have been established at unreasonable levels in relation to barley and especially corn and wheat.

- Production costs were derived from USDA's Economic Indicators of thr Farm Sector-Cost of Production.

- Yields were derived from USDA final crop production reports.

OATS - SUPPLY/DISAPPEARANCE, UNITED STATES

YEAR BEGINNING JUNE 1

	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89	89/90
							MILLION BUSHELS			PROJ.*
PLANTED ACRES	13.4	13.6	14.0	20.3	12.4	13.3	14.7	18.0	13.9	12.1
HARVEST ACRES	8.7	9.4	10.3	9.1	8.2	8.2	6.9	6.9	5.6	6.8
YIELD/ACRE	53.0	54.2	57.8	52.6	58.0	63.7	56.3	54.0	39.2	54.4
JUN 1 STOCKS	236	177	152	219	181	180	183	133	112	98
PRODUCTION	459	510	593	477	474	521	386	374	219	374
IMPORTS	1	2	4	30	34	27	36	46	68	60
SUPPLY	696	688	748	726	688	728	606	553	399	532
EXPORTS	13	7	3	2	1	2	2	2	2	2
FOOD	55	56	57	59	60	61	64	70	80	80
FEED	416	439	418	454	414	444	362	333	189	300
SEED	34	35	51	31	33	37	45	36	30	30
DISAPPEARANCE	518	536	529	546	508	544	473	441	301	412
MAY 31 STOCKS	177	152	219	181	180	183	133	112	98	120
FREE		148	209	174	174	174	123	106	96	
LOAN		4	4	2	2	5	5	0	0	
RESERVE		0	5	4	3	3	4	2	0	
CCC		1	1	2	1	2	2	4	2	
STOCKS/USE	34%	28%	42%	33%	35%	34%	28%	25%	33%	29%

PRICES, NO. 2 HEAVY OATS, MINNEAPOLIS

	F'81	F'82	F'83	F'84	F'85	F'86	F'87	F'88	F'89	F'90
JAS	$1.79	$2.01	$1.64	$1.78	$1.80	$1.30	$1.15	$1.74	$3.14	$1.61
OND	2.09	2.16	1.62	1.97	1.88	1.30	1.59	2.01	2.83	1.66
JFM	2.23	2.22	1.64	1.89	1.81	1.31	1.55	2.03	2.65	
AMJ	2.21	2.16	1.70	1.92	1.66	1.19	1.69	2.44	2.16	
F'YR AVG	$2.08	$2.14	$1.65	$1.89	$1.79	$1.28	$1.50	$2.05	$2.70	
TARGET			$1.50	$1.60	$1.60	$1.60	$1.60	$1.60	$1.55	$1.50
LOAN	$1.16	$1.24	$1.31	$1.36	$1.31	$1.31	$0.99	$0.94	$0.90	$0.85

JANUARY 1990

* USDA ESTIMATES

OATS - SUPPLY/DISAPPEARANCE, UNITED STATES

	YEAR BEGINNING JUNE 1										
	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89	89/90	90/91
						MILLION BUSHELS				PROJ.*	FCST.*
PLANTED ACRES	13.4	13.6	14.0	20.3	12.4	13.3	14.7	18.0	13.9	12.1	10.5
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JUN 1 STOCKS	236	177	152	219	181	180	183	133	112	98	115
PRODUCTION	459	510	593	477	474	521	386	374	219	374	333
IMPORTS	1	2	4	30	34	27	36	46	68	60	75
SUPPLY	696	688	748	726	688	728	606	553	399	532	523
EXPORTS	13	7	3	2	1	2	2	2	2	2	2
FOOD	55	56	57	59	60	61	64	70	80	105	105
FEED	416	439	418	454	414	444	362	333	189	280	270
SEED	34	35	51	31	33	37	45	36	30	30	29
DISAPPEARANCE	518	536	529	546	508	544	473	441	301	417	406
MAY 31 STOCKS	177	152	219	181	180	183	133	112	98	115	117
FREE		148	209	174	174	174	123	106	96		
LOAN		4	4	2	2	5	5	0	0		
RESERVE		0	5	4	3	3	4	2	0		
CCC		1	1	2	1	2	2	4	2		
STOCKS/USE	34%	28%	42%	33%	35%	34%	28%	25%	33%	28%	29%

PRICES, NO. 2 HEAVY OATS, MINNEAPOLIS

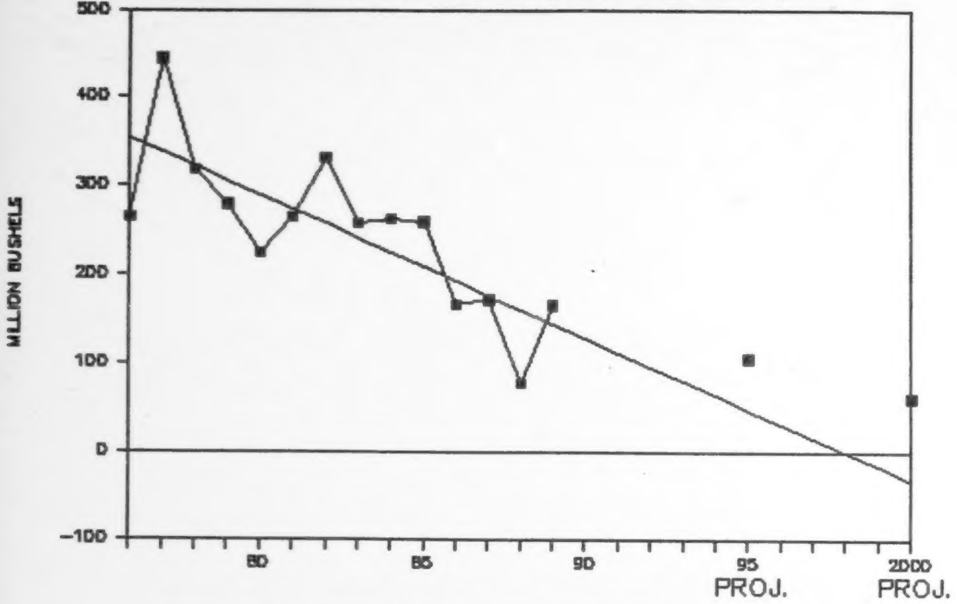
	F'81	F'82	F'83	F'84	F'85	F'86	F'87	F'88	F'89	F'90	F'91
JAS	$1.79	$2.01	$1.64	$1.78	$1.80	$1.30	$1.15	$1.74	$3.14	$1.61	
OND	2.09	2.16	1.62	1.97	1.88	1.30	1.59	2.01	2.83	1.66	
JFM	2.23	2.22	1.64	1.89	1.81	1.31	1.55	2.03	2.65		
AMJ	2.21	2.16	1.70	1.92	1.66	1.19	1.69	2.44	2.16		
F'YR AVG	$2.08	$2.14	$1.65	$1.89	$1.79	$1.28	$1.50	$2.05	$2.70		
TARGET			$1.50	$1.60	$1.60	$1.60	$1.60	$1.60	$1.55	$1.50	1.45
LOAN	$1.16	$1.24	$1.31	$1.36	$1.31	$1.31	$0.99	$0.94	$0.90	$0.85	0.81

JANUARY 1990

* QUAKER OATS ESTIMATES

OATS PRODUCTION — FOUR MAJOR STATES

(S. DAKOTA, N. DAKOTA, IOWA, AND MINNESOTA)

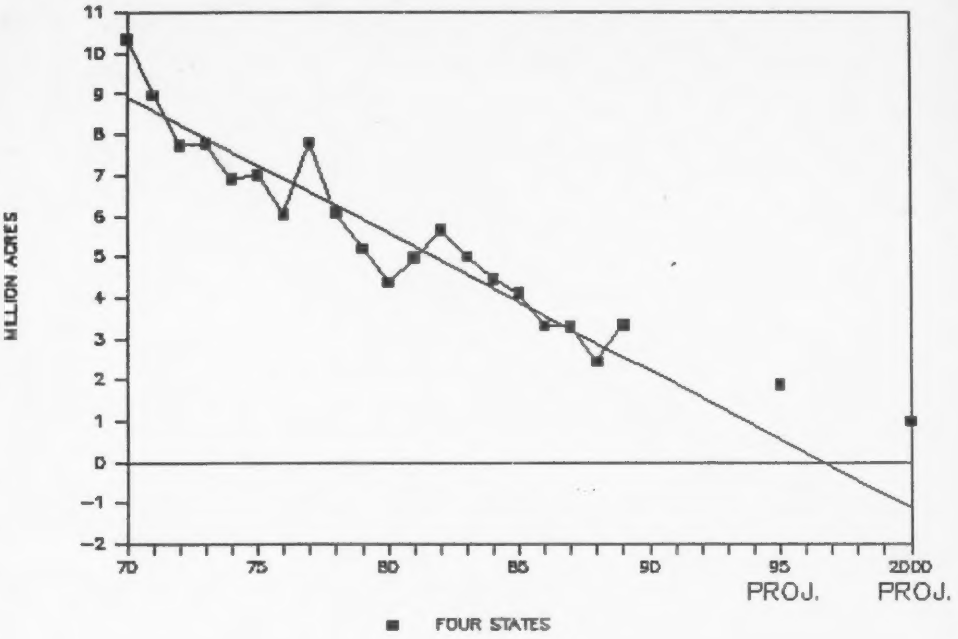


- OATS PRODUCTION IS CLEARLY TRENDING DOWNWARD IN THE FOUR MAJOR STATES. OATS PRODUCTION IN OTHER STATES IS ALSO TRENDING DOWNWARD.

- BASED ON THE CURRENT TREND, TOTAL U.S. OATS PRODUCTION COULD FALL BELOW 250 MILLION BUSHELS BY 1995 AND BELOW 160 MILLION BUSHELS BY THE YEAR 2000, ASSUMING CURRENT AG. POLICY REMAINS UNCHANGED.

OATS – HARVESTED ACREAGE, FOUR MAJOR STATES

(S. DAKOTA, N. DAKOTA, IOWA AND MINNESOTA)



- U.S. HARVESTED OATS ACREAGE IS CLEARLY TRENDING DOWNWARD IN THE FOUR MAJOR PRODUCING STATES. HARVESTED OATS ACREAGE IN OTHER STATES IS ALSO TRENDING LOWER.

- BASED ON THE CURRENT TREND, U.S. OATS ACREAGE FOR HARVEST COULD FALL BELOW 4.5 MILLION BY 1995 AND APPROACH 2.5 MILLION BY THE YEAR 2000, ASSUMING CURRENT AG. POLICY REMAINS UNCHANGED.

American Agriculture Movement Inc.

South Dakota Chapter

AAM, has been preparing for months for the upcoming battle to design farm programs that will sustain family farmers. As always, our first priority for the farm bill will be improved prices for farm commodities that will allow you to earn your living from the marketplace instead of the mailbox.

COMMODITY PRICES

To improve farmers' chances of recovering their costs of production and to lower government costs due to deficiency payments, AAM would establish a new approach to farm policy, which derives prices from the marketplace and helps individual producers to balance supply and demand on a national level.

WHEAT, FEEDGRAINS AND OILSEEDS

In wheat, feedgrains, and oilseeds, loan rates would be raised to USDA full cost of production or 70% of parity, with a 2% per year increase until loan rates reach 90% of parity. Also, the Findley Amendment, which gives the Secretary discretionary authority to lower loan rates by 20%, would be repealed.

A regular commodity program would be established for oilseed crops. Producers of those crops should have the income protection, and program administrators should have the ability to determine necessary production levels and reserve needs. Commodity program participants should be able to use oilseeds as a part of their rotational practices without risking their incomes for a loss of base.

Traditional price ratios among grains would be restored by increasing target prices on oats, barley, etc., to avoid future situations in which we fall short on one crop because the commodity program rather than the market, has made another crop more profitable.

Commodity bases would be stated in bushels, hundredweight, and pounds rather than acres. From a planning standpoint, it would be easier for producers trying to manage their input costs, and it also would be easier for program administrators to plan supply needs and determine program costs. In converting existing acreage bases to units of production, producers would be given a chance to establish their actual yields with ASCS. Common sense requires that producers be paid according to their ability to produce, not by some artificial formula that can be manipulated at the whim of the Office of Management and Budget. AAM also would allow producers to use the same established yield history for all USDA agencies -- including ASCS, FCIC, and FmHA.

Supply control measures would be used to keep market prices above loan rates. The method of supply control, whether production limits or marketing quotas would be put in place after a referendum among producers.

We would allow producers of wheat, feedgrains, and oilseeds to switch up to 20% of their commodity base, on an annual basis, among those three commodity groups in order to respond to market needs. If a producer chooses to plant a traditional rotation crop, such as alfalfa or sweet clover, in order to use common sense soil conservation practices, his or her program commodity base should be protected. We do not support the idea of cutting it up to program participants by allowing them to destroy the markets of producers of non-program crops. Too often in the last fifteen years, farmers have been pitted against each other by the design of the government programs.

SOIL AND WATER RESOURCES

One of the lasting achievements of the Food Security Act of 1985 was the Conservation Reserve Program (CRP), which has taken about 30 million acres of marginal land back out of production. One of the great failures of the legislation was the push toward a single commodity base, such as corn, which discouraged the use of traditional soil-restoring crop rotations, for fear of losing program base. The 1990 Farm Bill should contain provisions to keep the highly erodible land that is now enrolled in the CRP from going back into production. If this land was highly erodible when it entered the program it is still highly erodible when the program ends. Taxpayers have done their share, now it would be the landowners turn.

AAM's program allows the flexibility for producers to do what they know is right for the soil to keep it productive. We would establish a setaside rotation program. This Soil Restoration Program (SRP) would allow producers to bid in up to 30% of their base for up to 3 years in order to allow time to develop a good cover crop. All soil types would qualify, allowing the SRP to also serve as a forage reserve. This program would complement the existing 10-year CRP program. The SRP, coupled with a bushel-based supply control program and the 20% base flexibility for program participants in wheat, feedgrains, and oilseeds, would go a long way toward restoring common sense practices for soil conservation.

CROP INSURANCE

Federal Crop Insurance is a necessary program. Farming is an input cost intensive industry, and with prices at their current level even large yields provide only a relatively small margin of profit. Many producers cannot withstand a complete crop loss for even one season and remain in business. Crop insurance provides a means of loan collateral and many Ag. lending institutions require it. It provides a valuable cushion in the event of disaster or drought. While there are many aspects of the crop insurance program that could be improved, it is a valuable program and should be included in the 1990 Farm Bill.

GATT

Last, by far from least is GATT. We believe that (you) our elected officials should write our next farm bill and that it should not be subject to changes becouse of the decision made at the General Agreement on Tariffs and Trade. Sec. Yeutter would like to write the next farm bill at GATT with no consideration for the American producer or consumer. He would call this "free trade". This would mean there would be no more import quotas on beef, lamb, wool, and dairy products to name a few. The American consumer must be protected against the open dumping of foreign products into our country. We could do this by requiring "country of origin" labeling on all imported products, then we wouldn't have to buy. As it is now, we don't know what is imported and what is not.

We must take a "common sense" approach to the writing of the 1990 Farm BIll. By establishing a minimum price to cover costs, allowing more decisions to be made by the producer, promoting better conservation practices and preserving our import quotas we can make a major step in the right direction.

TESTIMONY FEBRUARY 10,1990
ROD HALL DAKOTA RURAL ACTION PRICE COMMITTEE CHAIRPERSON
U.S. HOUSE AGRICULTURE SUBCOMMITTEE ON WHEAT, SOYBEANS AND FEEDGRAINS

Chrm. Glickman and members of the Committee, My name is Rod Hall and I am a farmer from Fulton, SD. Today I speak on behalf of Dakota Rural Action as well as for just those other people who eat food.

As you begin to write the 1990 Farm Bill we understand that some members of Congress believe that the 1985 Farm Bill should be continued. Dakota Rural Action offers a better idea. 200+ years ago "There once the embattled farmer stood and fired the shot heard 'round the world". Today in the U.S. Congress it must not be forgotten that an insufficient supply of food in Eastern Europe has disarmed the Communist Power in a peaceful way that no military force could ever achieve. The huge communal corporate type agriculture of Eastern Europe failed totally. The American family farm has produced during war and peace, abundant supplies. America must not make the mistake of losing the only proven food supply, the family owned and operated farm!

The international grain merchants have made huge profits. They like it! The huge packer owned feed yards like to buy grain below the cost of production. They like it! Those who would destroy every family farm in favor of billion dollar corporations see their chance. They love it too!

In very brief form I present the ideas of Dakota Rural Action. For more specific detail, additional written explanation is offered.

1. Farmers must recover their cost plus a minimum wage for their work. These cost are increasing. It makes no sense to talk of lowering their prices. THE LOAN RATES MUST BE INCREASED!

2. The Secretary of Agriculture must determine each year the quantity needed for: domestic use, reserve needs, farmer commodity reserve, food assistance, livestock feed program, and export demand. IT MAKES NO SENSE AND FEWER DOLLARS TO EXPORT AT A LOSS!

3. The system should be based on bushels rather than acres. These benefits should be targeted to smaller farmers with gradually reduced benefits as the farms have ever larger operations. NOTHING SHOULD BE PAID TO THE HUGE, PERHAPS FOREIGN OWNED, CONGLOMERATES.

4. A Farmer Commodity Reserve would be established. This would help make for normal operations during disasters by providing grain to cover losses. In the past disaster bills gave farmers money. The local businesses were left out of the process.

   This grain would be taken from CCC stocks to start with or purchased from Farmer Owned Reserve. It would as much as possible be stored on the farm, with the farmer being paid commercial storage rates in return for storing the grain in excellent facilities. THIS WOULD ELIMINATE THE NEED FOR CONGRESS TO PASS DISASTER LEGISLATION EVERY YEAR OR EVERY ELECTION YEAR.

5. A voluntary sustainable agricultural program would be established. It should run for five years and the farmers who take part should:
   Not lose base acres for planting legumes and other practices.
   Receive continued and expanded cost share for approved practices.
   Receive from the Farmer Commodity Reserve, grain to replace a yield reduction during the transition.
   STARTING NOW OUR ENVIRIONMENT MUST BE PROTECTED AND IMPROVED!

6. The Conservation Reserve Program CRP would be continued in our Family Farm Act. Provisions should be made to allow for the establishment of permanent grasslands by allowing farmers certain rights during the last three years of the contract. Grazing in limited amounts to establish herds for the proper usage would be encouraged. WE MUST NEVER ASK THE TAXPAYER TO PAY HIS MONEY TO TAKE THIS FRAGILE LAND OUT OF PRODUCTION AGAIN!

7. Reform of International trade policies must consider United States and our constitutional rights. Our exports must be fair and return the cost of production plus the minimum wage. OUR FARM BILLS MUST ALWAYS BE WRITTEN IN WASHINGTON, D.C., NOT IN GENEVA!

8. A short-term livestock feed assistance program must be available to prevent losses of herds as a result of natural disasters. A DISASTER CAN DESTROY IN WEEKS WHAT TAKES YEARS TO BUILD!

9. A.S.C.S. County Committees have and must continue to be the very important local controlling feature of the farm program. County committee persons cannot be suspended without a fair hearing in their home county. These county committee persons are elected officials and are not considered as an employee. They are expected to work as an official committee and not be bossed by the County Executive Director.

AT THE ASCS OFFICE "FARMERS NEED A BILL OF RIGHTS!"*
c Top Producer January 1990

10. A companion Minority Farm Act is also included to insure that all people have a right to be agricultural producers.

THE 1990 FARM BILL MUST NOT DISCRIMINATE BECAUSE OF RACE, COLOR, RELIGION OR CREED!

Mr. Chairman a CHEAP FOOD POLICY is not permanent. At best it will last fifty years. Then the farmers are gone. We as a nation have dangerously gone down that road for about ten years with a national food supply that was produced by family farmers. Food at reasonable prices is our nation's best defense.

WHEN THE INTERNATIONAL CONGLOMERATES CONTROL AGRICULTURE THEN YOU WILL FIND THAT A BUSHEL OF WHEAT REALLY DOES COST A BARREL OF OIL!

Mr. Chairman I urge you to consider this fairly complete and reasonable proposal. I thank you for the chance to testify. On behalf of Dakota Rural Action, I'd like to extend my thanks and theirs to Congressman Johnson for his advocacy of the family farm and especially for his help with the Dairy Bill.

(Attachment follows:)

Dakota Rural Action

Box 549 • Brookings, South Dakota 57006 • 605-697-5204

TESTIMONY OF ROD HALL - THE 1990 FARM BILL
DAKOTA RURAL ACTION PRICE COMMITTEE CHAIRPERSON
FEBRUARY 10, 1990
U.S. HOUSE AGRICULTURE SUBCOMMITTEE ON WHEAT, SOYBEANS AND FEEDGRAINS

Chairman Glickman and members of the Committee, my name is Rodney Hall, and I farm near Fulton, South Dakota. I am the chairperson of the Dakota Rural Action Price Committee, and I speak today on DRA's behalf. Dakota Rural Action is a grassroots, membership organization of farmers, ranchers, church and small business people who want to restore health to our family farmers, mainstreets and environment.

The Bush Administration just released their proposal for the 1990 Farm Bill, based on a continuation of the 1985 Food Security Act. It includes an ever-decreasing drop in loan rates and target prices, and an "un-linking" feature that resembles decoupling. Dakota Rural Action opposes this and we offer an alternative proposal, the 1990 Family Farm Act.

Farmers and rural businesses have been the losers with the 1985 Farm Bill, and they will continue to lose under the Bush proposal. South Dakota has lost over 3,000 full time farmers in the last decade and many spouses have been forced to work off the farm in low-wage jobs just to pay the bills. In 1987 and 1988, South Dakota led the region in the number of Chapter 12 bankruptcies filed. With the enactment of the 1987 Agricultural Credit Act over 2,500 delinquent Farmers Home Administration borrowers in South Dakota have received loan servicing notices and are either restructuring their debts or liquidating. The State Mediation program has had close to one thousand referrals since it began in June of 1988.

The bottom line reason for these failures is low price. According to the USDA Economic Research Service Report "Costs of Production for Major U.S. Crops, 1975-87", the market price for all major program comodities was less than the average cost of production -- ranging from an average loss of $.22 a bushel for corn to $1.06 a bushel for oats.

As long as farmers aren't paid the cost of production, our rural mainstreets will continue to dry up. According to the Business Research Bureau of the University of South Dakota, a "dual economy" now exists in South Dakota, where the economy in rural areas lags far behind our urban aeras. By the late 1980's rural per capita income in South Dakota stands 21% below urban per captia income and the rural poverty rate exceeds the urban poverty rate by 300%. Rural employment growth was 12.6% below urban job growth from 1979 to 1987, while rural income growth was 23.8% below urban growth during the same period. The USDA Economic Research Service reported that nationally, about one-third of all farm households fell below poverty level in 1986. The Bush Administration's farm proposal will mean more of the same.

Though family farmers and mainstreet businesses have taken a beating with the 1985 Farm Act, international grain merchants have made huge profits. Why wouldn't they like it ? These conglomerates own huge feedlots, barges and ships, processing and packing operations. The 1985 Farm Bill is one reason why the "Big Three" - IBP, ConAgra and Excel (Cargill) - now control over 70% of the beef slaughter industry. These giants can buy grain for less than what it costs us to produce it, and use it to raise livestock in competition with family feeders. Then they later slaughter it, process it and market under brand names. Because of their size, they exert tremendous control over livestock markets. Over 6,000 South Dakotans said "enough" to this concentration on petitions calling for federal and state action to halt this trend. And eleven other groups representing over 16,000 South Dakotans have joined forces with us in the Livestock Concentation Campaign to address this problem.

The international grain merchants have also reaped huge profits through the Export Enhancement Program. A study on the EEP conducted by Cletus Coughlin and Kenneth Carraro, economists at the Federal Reserve Bank of St. Louis concluded that the U.S. lost 92 cents a bushel to export wheat through the EEP. Over the period 1986 and 1987, through 1987 and 1988, it cost the U.S. $4.08 a bushel to export an additional bushel of wheat which was then worth $3.16 at the Gulf. They further concluded that destroying government-owned stocks would be a more cost effective form of surplus removal than the EEP. While it costs the taxpayers millions, Cargill made over $11 million in profits through the EEP in 1986 alone.

This is farm policy at its worst. We've been told that the reason we need low market prices is so that we can export our way to prosperity. Farm prices have not increased because of exports with the 1985 Farm Bill, but government expenditures and corporate profits have. When we are better advised to throw our grain in the ocean than to ship it across with equitable multi-lateral trade agreements --then it's time for a change.

The 1990 Family Farm Act would turn this policy around. It is a program that is very inexpensive by comparison to the 1985 Farm Bill, and it restores health to our farms and our environment. Here's a summary of the proposal.

1. The price-support for major farm commodities would be set at at the cost of production plus a reasonable rate of return -- which I believe to be at least one half of the minimum wage for farmers' efforts. This would eliminate costly deficiency payments, and would re-establish purchasing power throughout the countryside. If processors did not inflate shelf prices of food as they have over the last several years, a box of oat bran flakes in the grocery store would not need to increase but a few cents from the present price of $4.28 This is rural economic development !!

2. The Secretary of Agriculture would annually determine the quantity of each commodity that is needed to meet 1) domestic demand 2) domestic reserve requirements 3) a Farmer Commodity Reserve described below 4) food assistance requirements 5) a livestock feed assistance program described below and 6) export demand. This determination would be reviewed by House and Senate Agriculture Committees annually to ensure oversight and an opportunity for public comment.

3. A bushel-based marketing system would be instituted to replace our current restrictive acreage set aside program. This would give much-needed flexibility to farmers so that they could manage supplies through marketing certificates. Farmers would also have the flexibilty to switch from one crop to another by 20% per year if it fits their needs. It would stop the horrible swings in "surplus" and "shortage" that we've seen in the last five years. In other businesses, this system is called inventory control.

4. Targeting of marketing certificates to small farmers would be ensured by multiplying a farm's base acres, time established yield, times marketing certificate factor assigned to that farm size. The larger the size of the farm, the smaller the percentage of marketing certificates issued. We believe that this is a much more cost-effective, common sense way to target the program than the new payment cap proposed by the Bush Administration.

5. A Farmer Commodity Reserve would be established, which replaces the disaster programs that we've had in the last couple of years by allowing program participants to receive from the reserve like grain to replace grain planted but not produced. This

returns a sense of normal operations to local areas suffering from disasters. Pouringdollars or PIKs in does not help the many services that are dependent on the processing or other uses of that lost crop. This is a common-sense alternative to the Bush Administration's proposal to eliminate federal crop insurance. It would much more cost-effective and easy to administer than the last two disaster programs.

The Farmer-Commodity Reserve is established by first using any CCC stocks not otherwise allocated, then purchasing surplus production from farmers at 25% of the loan rate. After being purchased by the CCC, these commodities could be either stored in approved on-farm storeage bins at the same rate as commerical storeage or stored in commerical storeage if farmers prefer. If more stocks are needed to meet all demands for the Farmer Commodity Reserve, additional marketing certificates would be issued when the Secretary determines the national marketing quota annually.

A producer could take out up to $50,000 worth of lost production in a given year, and the program is targeted to small producers with larger losses graduated down. Farms with gross sales in excess of $1,500,000 would be ineligible for the reserve. The FCR would be administered by county ASCS committess and a local oversight committee. Benefits of this public trust would not be kept confidential, but a listing of those using the program would be open for public inspection during normal business hours at the ASCS offices.

6. A voluntary sustainable agriculture program would be established in the Family Farm Act, whereby participants would file a five year farm plan based on provisions of a low input technical guide, developed with public input by producers and sustainable agriculture specialists. The guide would provide the criteria and guidelines for compliance in the sustainble agriculture program. Farmers may enroll up to 20% per year of their farm into the LISA program, or 200 total acres, whichever is larger, and producers whose entire farms qualify for the program at the time they enroll may entire their entire farm. The key features of the program are:

1) Producers would be able to use improved practices such as crop rotation and seeding of legumes without losing base acres

2) Greatly expanded cost-share programs for land and water restoration projects and investments in conservation tillage equipment would be available to producers enrolled in the LISA program. These programs would be administered through the Soil Conservation Service and local Soil and Water Conservation Districts.

3) Producers who experience any reduction in yield during the transition to low

input practices would be able to have this loss cushioned by the Farmers Commodity Reserve.

4) Annual reviews for each producer enrolled in the program would be conducted to ensure compliance.

5) Producers may appeal out of the LISA program but would not be able to re-enter until after the five year period is over.

Next to price and the Farmer Commodity Reserve, we believe that the LISA program is the most important feature of the 1990 Family Farm Act. Our proposal removes the barriers to sustainable practices placed by the 1985 Farm Bill, gives producers the flexibility that they need to farm responsibly and provides meaningful incentives to producers to return to more environmentally-sound farming practices. We believe, however, that without a fair price and inventory management, other LISA proposals will not achieve environmental protection goals that we advocate.

7. The Conservation Reserve Program should be continued in this program, but it should be more flexible , to allow for limited grazing of CRP acres during the last three of the ten years to encourage establishment of breeding herds. We also propose that sustainable exiting procedures be established to prevent future plowing of these fragile lands, including tree planting on CRP acres, and extending the 10 year contract out further if necessary.

8. Reform of international trade policies is proposed in the Family Farm Act, to establish a world grain reserve; ensure that the U.S. retains its fair global market share, as defined by GATT; ensure that export prices remain equal to or above the average cost of production of export nations; and eliminate export dumping and the Export Enhancement Program except in instances where a country violates market share agreements. We oppose the Bush/Yuetter trade position, and urge Congress to call for accountability by the Administration to protect family farmers instead of the grain trading giants. We must legislate our farm program in Washington, not Geneva.

9. A targeted, short-term livestock feed assistance program is proposed that would allow livestock producers with annual sales below $1,500,000 to be eligible to buy up to $50,000 worth of grain from CCC inventory at a price equal to the partiy level at which the livestock is valued, or they could receive certificates of equal value.

10. A companion Minority Farm Act is also included, to ensure the restoration of black farmers in the South to the land, and to arrest the loss of these producers from

agriculture.

11. A companion dairy bill, the National Dairy Act, is also proposed, to raise price supports to the same levels proposed in this bill, with a market-share program.

Chairman Glickman, we urge you to consider this common-sense proposal. I thank you and Congressman Johnson for the opportunity to testify. I'd also like to extend a special thanks to you, Congressman Johnson, for your work in drafting the 1990 dairy act, and for your advocacy of family farm and ranch agriculture in South Dakota.

STATEMENT BY RICHARD EKSTRUM, PRESIDENT
SOUTH DAKOTA FARM BUREAU FEDERATION
BEFORE THE
WHEAT, SOYBEANS, AND FEED GRAINS SUBCOMMITTEE
SIOUX FALLS, SD, FEBRUARY 10, 1990

My name is Richard Ekstrum. I own and operate a livestock farm at Kimball and am President of the South Dakota Farm Bureau, which is a general farm organization with a membership of 8,400 families. I am pleased to represent Farm Bureau and share its policies and recommendations for the 1990 Food Security Act.

Farm Bureau has been a strong supporter of the Food Security Act of 1985. The policies contained in that legislation have helped to move agriculture toward greater market orientation by setting price supports at levels that allow our products to compete in domestic and international markets. This was accomplished while maintaining a healthy level of farm income and reducing burdensome supplies of commodities that had built up over several years exerting significant downward pressure on commodity prices.

The 1985 farm bill will expire in 1990. Congress must write a new bill that the President will sign into law to reauthorize agricultural programs that are covered in the farm bill. These programs include provisions for commodity price and income support, commodity supply control, conservation provisions, trade measures, research, credit programs, food stamps and other related public policies.

Farm Bureau supports continuing the general direction set by the 1985 farm bill. We recommend that the next farm bill include certain modifications that would contribute to greater market orientation and allow farmers to manage their operations in response to economic, environmental and technical considerations and opportunities. We believe that these fundamental principles express our ultimate objectives for the 1990 farm bill:

1) REAFFIRM OUR COMMITMENT TO COMPETITIVENESS;
2) ASSURE THE OPPORTUNITY FOR ADEQUATE LEVEL OF FARM INCOME; AND
3) MAXIMIZE FREEDOM FOR FARMERS TO RESPOND TO MARKET CONDITIONS..

Farm Bureau will pursue these objectives within the context of political and fiscal realities. We do not favor significant expansion of federal spending and therefore will support programs that will contribute to realization of the objectives without significant increases in spending for agricultural programs.

Environmental and conservation regulations should not detrimentally affect farm income or the U.S. competitive position in world markets. The specific policy positions that the Farm Bureau will work to include in the bill are as outlined.

LOAN RATES: Loan rates should continue to be tied to a percentage of the average price of the commodity over the past several years. This will ensure competitive pricing. If additional adjustments are necessary in order to be competitive, provisions such as the Findley adjustment or the marketing loan for cotton and rice should be continued.

TARGET PRICES: Target prices should be frozen at 1990 levels. Additional reductions would result in an unacceptable lowering of farm income.

PRODUCTION ADJUSTMENT PROGRAMS: Production adjustment programs should be implemented through voluntary production adjustments when carryover supplies exceed workable levels. We therefore support continued use of carryover trigger levels to determine the extent of acreage reduction programs.

ACREAGE FLEXIBILITY: Producers should be allowed to plant other program crops or approved non-program crops on permitted acreage for the crop for which a base acreage is assigned. This is to be accomplished without loss of base. However, deficiency payments and loan eligibility will be restricted to the production grown on permitted acreage planted to the original program crop.

GRAIN STORAGE PROGRAMS: Government grain storage policies should not encourage the rebuilding of excessive commodity stocks that have been reduced over the last five years. The farmer-owned grain reserve program should be eliminated and replaced by a nine-month extension of basic price support loans for wheat and feed grains.

COMMODITY PROGRAMS: Other than changes that result from the previously mentioned recommendations, we favor continuation of the following programs without significant changes: wheat, feed grains, cotton, rice, sugar, wool, honey and peanuts.

SOYBEANS: When the loan rate for soybeans is set at less than $5.02 per bushel, generic certificates should be provided to offset the difference between the loan rate and $5.02. We do not support acreage controls, marketing quotas or the establishment of a soybean reserve program. Soybeans should not be harvested from acreage removed from production in compliance with an acreage reduction program.

DAIRY: Supply and demand for dairy products is currently balanced and the market price exceeds the support price due, in part, to changes dictated by the 1985 Farm Bill. CCC purchases have declined. This has lowered the overall cost of the program. However, adjustments need to be made in the calculation of milk equivalents so that the trigger for support price increases and decreases more accurately reflect current demand. Government purchases for federal use and programs should not be used in calculation of surplus. We support the calculation of government purchases on a total solids basis. Any stand-by supply control programs should mitigate impacts on, and make restitution to, all affected commodities.

CONSERVATION RESERVE PROGRAM: Reasonable limits on participation in the program should be maintained to provide economic stability both in local areas and nationwide. We support requiring that all CRP land meet conservation compliance plans at the end of the contract, but oppose additional restrictions being placed on the land. At the expiration of the ten-year contract, we recommend the farmer be given the option of bringing the land back into production or bidding it back into the reserve.

SWAMPBUSTER: We support a reasonable minimum size of a wetland for which no penalties would apply for draining or filling. Local ASCS committees should be involved in determining the reasonable minimum size. We also support making the penalty for minor infractions of swampbuster regulations commensurate with the infraction.

CONSERVATION COMPLIANCE: We support soil conservation and the implementation of all compliance plans by 1995. Producers of traditional crops that are not compatible with compliance plan provisions should be given a one-time opportunity to shift crop base acres with attendant crop yield either from an affected farm or from a non-compatible crop to a compatible crop. We encourage adequate funding be provided for cost-share and technical assistance to carry out the compliance plans.

CONSERVATION EASEMENTS: We urge repeal of the conservation easement section of the 1985 Farm Bill and of previous Executive Orders which allow easements to be placed on FmHA inventory property by state and federal agencies and private groups.

CROP INSURANCE AND DISASTER PROGRAMS: We support crop insurance in place of disaster assistance, but only after the crop insurance program is made workable and equitable. Crop insurance should not be linked to farm program participation and should be available on an equitable basis to producers of all program and nonprogram crops. In order to increase participation in the program, coverage must be increased and the program must be simplified.

TRADE: The Export Enhancement Program and Targeted Export Assistance Programs should be retained to help U.S. agricultural exports compete with unfairly traded foreign products and to increase U.S. negotiating leverage in the Uruguay Round. Food aid programs (PL480) and export credit programs should be improved to better accomplish the dual objectives of, first, providing humanitarian relief and stimulating economic growth, and second, boosting long-term market opportunities for U.S. farm products. The 1990 farm bill should be consistent with a key U.S. objective - a market-oriented world trading system. It should ensure U.S. competitiveness and support farm income in the years to come.

RESEARCH: We support expanded research efforts to increase the marketability of our products, to solve environmental concerns and improve our productivity while lowering costs. The Land Grant Institutions should continue to be the major source of agricultural research.

One last area that is key to the economic opportunities for farmers and ranchers is the fiscal policy of the federal government. Fiscal policies have a dramatic influence on interest rates, tax levels, and the value of the U.S. dollar which relates directly to export opportunities.

Farm Bureau priorities in this area include:

1) Freezing federal spending across the board;
2. Applying any Gramm-Rudman-Hollings measures to all federal spending;
3) Federal Budget Process Reform using current year outlay budgets and 2 year budget plans;
4) Line item veto and/or enhanced recission authority;
5) A balanced budget amendment to the U.S. Constitution;
6) No To More Taxes;
7) Reinstatement of Capital Gains Treatment;
8) and, extending and expanding the 25 percent Health Insurance Premium tax deduction for farmers and other self-employed citizens.

We thank you for the opportunity to present the Farm Bureau recommendations.

A COMMON SENSE EXAMINATION OF FARM POLICY.

THE 1985 FARM BILL IS ESSENTIALLY A CONTINUATION OF FARM POLICY FOR THE LAST FORTY YEARS. THIS POLICY IS BASED ON THE ASSUMPTION THAT FARM PRODUCTION CAN BE DRASTICALLY HIGHER THAN CONSUMUMPTION. WHEN THIS HAPPENS THE LAW OF SUPPLY AND DEMAND FORCES PRICES BELOW COST OF PRODUCTION FOR FARMERS AND THEREFORE A SYSTEM IS DEVISED TO LIMIT AGRICULTURE PRODUCTION, SUPPORT PRICES AND AT THE SAME TIME INCREASE CONSUMPTION.

TODAY, ACREAGE LIMITS AND SUPPORT OF FARM INCOME HAS REMAINED BASICALLY THE SAME BUT WITH THE ADDITION OF PIK CERTIFICATES. THE CERTIFICATES, HOWEVER, ELIMINATE THE FLOOR PRICING CONCEPT OF LOAN RATES BY ALLOWING THE GRAIN TRADE TO BUY THEIR NEEDED FARM PRODUCTION THROUGH THE GOVERNMENT WITHOUT RAISING CASH PRICES ABOVE THE LOAN. NET FARM INCOME STAYS THE SAME BECAUSE OF THE DEFICIENCY PAYMENT BUT AT TAXPAYER EXPENSE. THEREFORE ELIMINATING PIK CERTIFICATES WILL REDUCE THE " BUDGET EXPOSURE " VERY CONSIDERABLY.

INCREASING CONSUMPTION OF FARM PRODUCTS HAS MOST PEOPLES ATTENTION POSSIBLY BECAUSE THERE ARE SO MANY IDEAS AS TO HOW ACCOMPLISH IT. ONE THEORY IS THAT BY LOWERING THE PRICE PEOPLE WILL CONSUME MORE. DOES ANYONE REALLY BELIEVE THAT IF THE PRICE OF A T-BONE STEAK WAS CUT IN HALF THAT PEOPLE WOULD SIT DOWN AND EAT TWO STEAKS AT THE SAME MEAL RATHER THAN ONE? THE NEED FOR MORE NUTRITION IS NOT BASED ON PRICE. IF THE COST OF GASOLINE WAS DECREASED BY 50% IT IS PLAUSIBLE THAT THE CONSUMER MAY DRIVE MORE MILES ON A VACATION OR MAKE MORE TRIPS TO GRANDMOTHERS HOUSE BUT IT IS NOT LIKELY THAT FOOD CONSUMPTION WOULD CHANGE IN THE LONG RUN.

ANOTHER REASON FOR LOWERING FARM PRICES IS TO RECAPTURE A REDUCED PERCENTAGE OF EXPORT VOLUME. HOWEVER THE MAIN FACTOR AFFECTING PRICE IS WHO CONTROLS THAT MARKET. FROM THE CHARTS USING FIGURES 7, 18, 20, AND 22 WE CAN SEE THAT THE VOLUME OF GRAIN FROM THE U.S. IS GREATER THAN ANY OTHER COUNTRY. THE U.S. THEN HAS NOT LOST ITS ABILITY TO SET THE PRICE OF FARM COMMODITIES IN THE INTERNATIONAL MARKET.

YET ANOTHER REASON FOR LOWERING FARM PRICES IS THE AMOUNT OF CARRYOVER OF GRAIN FROM ONE YEAR TO THE NEXT. AGAIN FROM FIGURE 2 IT SHOWS THAT CARRYOVER OF GRAIN FROM ONE YEAR TO THE NEXT DOES NOT CHANGE DRAMATICALLY,UNLESS THERE IS A DROUGHT! BECAUSE OF THE UNCERTAINLY OF THE WEATHER ONE HAS TO SERIOUSLY QUESTION THOSE THAT BELIEVE AN INVENTORY IS NEGATIVE. CERTAINLY THE 35-40,000 PEOPLE THAT STARVE TO DEATH EVERY DAY WOULD NOT BELIEVE IN A SURPLUS OF FOOD. IT IS NOT POSSIBLE FOR A BLESSING TO BE A CURSE.

IN ANY BUSINESS AN ASEET CAN NOT BE A LIABILITY AT THE SAME TIME. YET IN AGRICULTURE WHEN THE FARMER OWNS THE GRAIN IT IS A SURPLUS; WHEN THE FOOD COMPANIES OWN THE GRAIN IT IS HIGHLY PROFITABLE. ACCORDING TO THE FORBES LIST OF PRIVATLY HELD CORPORATIONS CARGILL IS THE NUMBER ONE CORPORATION IN AMERICA WITH GROSS REVENUES OF 44 BILLION DOLLARS. CONTINENTAL IS FIFTH ON THE LIST. FOUR OF THE TOP FIVE AND EIGHT OF THE TOP TEN CORPORATIONS PROCESS FOOD IN SOME MANNER. IT IS EXTREMELY DIFFICULT TO SAY

THAT THEY ARE HAVING A PROBLEM FINDING A BUYER FOR FARM COMMODITIES.

WHAT THEN DETERMINES THE FARM PRICE.? AGRICULTURE DOES NOT HAVE A "TRUE" MARKET BUT IS IN A RESIDUAL MARKET. THE FARMER RECIEVES WHAT EVER IS LEFT OVER AFTER EVERYONE ELSE TAKES THEIR PROFIT. THE PERFECT EXAMPLE IS THE TRANSPORTATION BOTTLENECKS CAUSED BY LOWER RIVER LEVELS, AND THE SO CALLED "RAIL CAR SHORTAGE." THESE EXTRA COSTS; UNLIKE OTHER MARKETS WHERE THE CONSUMER PRICE IS AFFECTED; ARE ALSO PASSED BACK TO THE FARMER. UNTIL THE FARMER PREVENTS THE BUYER FROM PRICING FARM COMMODITIES, THERE WILL ALWAYS BE MORE EXCUSES TO LOWER FARM INCOME.

THE SOLE PURPOSE OF THE NATIONAL FARMERS ORGANIZATION IS TO BLOCK TOGETHER FARM COMMODITIES IN LARGE ENOUGH VOLUMES TO ELIMINATE THAT RESIDUAL MARKET. THIS IS POSSIBLE BECAUSE THE AMERICAN FARMER IS STILL THE MAJORITY SUPPLIER OF FOOD TO THE AMERICAN PEOPLE. THE FACT THAT COMPANIES MUST BUY FROM THE FARMER GIVES THEM THE CLOUT AS A GROUP TO NEGOTIATE SALES. INDIVIDUALLY THE FARMER WHO SELLS THOUSANDS OF DOLLARS OF COMMIDITIES CANNOT INFLUENCE A MARKET IN THE BILLIONS OF DOLLARS. FOR THE COST OF HIRING PROFFESIONAL PEOPLE THE FARMER CAN ONCE AGAIN BE FINANCIALLY INDEPENDENT.

GOVERNMENTS CAN ALSO DETERMINE FARM PRICES MUCH AS IT DETERMINES A MINIMUM WAGE FOR LABOR. SURPRISINGLY WE CAN FINE TUNE THE FARM BILL TO ACCOMPLISH THIS BY SIMPLY RAISING THE LOAN RATES, THEREBY SETTING A FLOOR PRICE. AS STATED BEFORE PIK CERTIFICATES MUST BE ELIMINATED TO MAKE THE LOAN RATE EFFECTIVE. TARGET PRICES CAN BE FROZEN TO REDUCE GOVERNMENT EXPENDITURES..

AN OBVIOUS QUESTION WOULD THEN BE, "AT WHAT RATE SHOULD THE LOAN BE." ALL INDUSTRIES THAT ARE REGULATED BY GOVERNMENT PERIODICALLY LOBBY THE APPROPRIATE AGENCY FOR A RATE INCREASE. THE MAIN CRITERIA USED IS AN INCREASE IN COSTS; IN OTHER WORDS, INFLATION. COST OF LIVING ADJUSTMENTS ARE MADE TO SOCIAL SECURITY BENEFITS, GOVERNMENT WORKER PAYCHECKS AND BENEFITS, DEFENSE CONTRACTS, CONGRESSIONAL SALARIES, ETC. HOW CAN AGRICULTURE AS AN INDUSTRY BE EXPECTED TO USE ANY OTHER STANDARD.

YET, THE FIRST YEAR CORN AVERAGED OVER TWO DOLLARS A BUSHEL WAS 1947. IS IT REALISTIC THEN TO SUGGEST THAT LOAN RATES AND TARGET PRICES BE LOWERED AGAIN IN 1990? TO SAY NOTHING OF LOWERING THEM 40%. IF A POLITICIAN SUGGESTED THIS FOR ANY OTHER INDUSTRY WHAT WOULD BE THE REACTION?

THE CONSUMER PRICE INDEX IS THE MOST ACCURATE MEASURE OF THE GENERAL INFLATION LEVEL. AS FARM INCOME INCREASES AND STABILIZES, THE SYMPTOMS OF LOW INCOME WILL DISSAPPEAR. THESE SYMPTOMS INCLUDE; BANKRUPTCIES, BOTH FARM AND COMMERCIAL BANKS, THE NEED FOR MEDIATION BETWEEN THESE TWO, FRAGILE FARM GROUND WILL BE PUT TO MORE APPROPRIATE USES THAN RAISING CROPS, DISASTER LOANS AND DIRECT PAYMENTS WILL NOT BE NECESSARY AS PEOPLES SAVINGS ACCOUNTS WILL FILL THAT NEED.

RURAL COMMUNITIES WILL REGAIN THEIR FINANCIAL BASE. THESE ARE LARGE BENEFITS FOR THE COST OF RAISING THE LOAN RATE.

GARY ENGEBRETSON
STATE VICE PRESIDENT
NATIONAL FARMERS ORGANIZATION

(Attachment follows:)

NATIONAL FARMERS ORGANIZATION

GRAIN DEPARTMENT

515-322-3131

Figure 18. World Wheat Exports by Country of Origin, Calendar Years 1963-84.

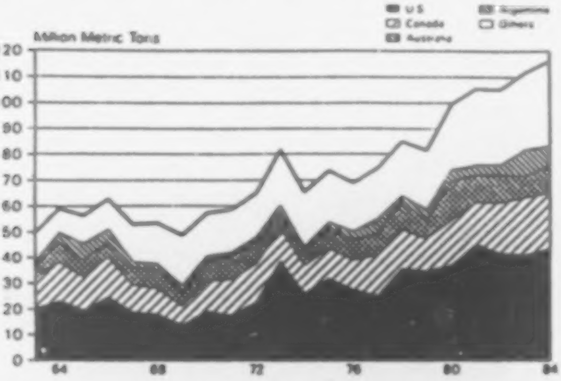


Figure 20. World Corn Exports by Country of Origin, Calendar Years 1963-84.

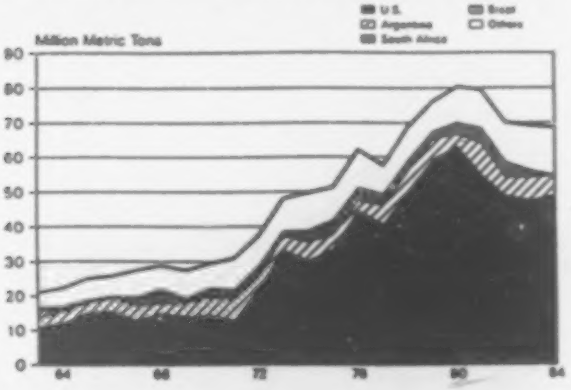
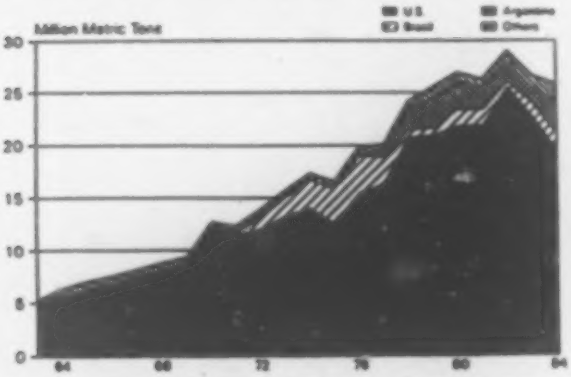


Figure 7. World Soybean Exports by Country of Origin, Calendar Years 1963-84.



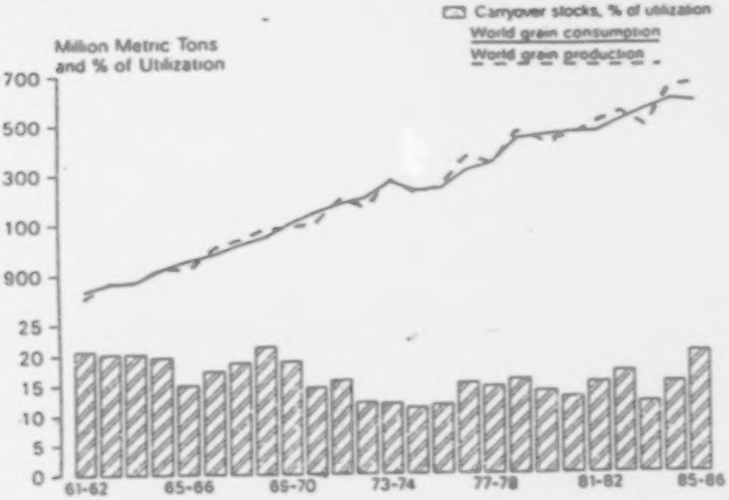
Source: Foo[illegible]culture Organization [illegible] the United Natio[illegible]e Yearbook (Rome, [illegible] various issues.

NATIONAL FARMERS ORGANIZATION

GRAIN DEPARTMENT

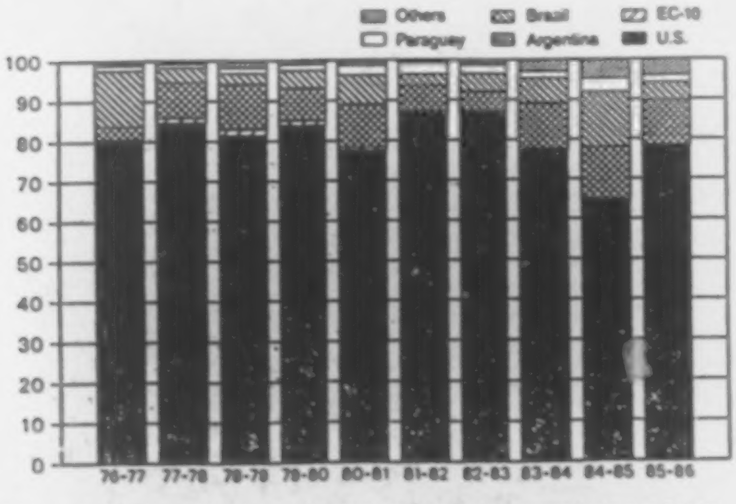
515-322-3131

Figure 2. World Grain Production and Consumption in Millions of Metric Tons, and Carryover Stocks as Percentage of Annual Consumption, July-June 1961-62 to 1985-86.



Source: U.S. Department of Agriculture, Foreign Agricultural Service, *Foreign Agriculture Circular, Grains*, FG 5-86 (Washington, D.C.), May 1986 and various other issues.

Figure 22. Percentage Shares of World Soybean Trade by Major Exporters, October-September, 1976-77 to 1985-86.



Source: U.S. Department of Agriculture, Foreign Agricultural Service, *Foreign Agriculture Circular, Oilseeds and Products* (Washington, D.C.), FOP 5-83, May 1983; FOP 11-82, September 1982; FOP 16-81, September 1981; FOP 1-81, January 1981; FOP 10-80, May 1980, and FOP 5-86, May 1986

TESTIMONY
OF
ELAINE STUHR, NATIONAL PRESIDENT
WOMEN INVOLVED IN FARM ECONOMICS

Mr. Chairman and Members of the Committee:

The members of Women Involved in Farm Economics (WIFE) want to thank you for holding these field hearings to discuss issues relating to the formulation of the 1990 farm bill.

I am Elaine Stuhr, National President of Women Involved in Farm Economics. I am from Bradshaw, Nebraska and a partner with my husband in our family farm operation. We have been farming for thirty years and are primarily grain producers raising irrigated corn, grain sorghum and soybeans. I am involved in the day to day activities of our business from marketing and book-keeping, to irrigating, driving tractor and management decisions related to our farming operation.

Women Involved in Farm Economics is a grassroots organization committed to improving profitability in agriculture through educational. legislative, communicative and cooperative efforts. WIFE has associations in 20 states, including South Dakota and has members at-large in nearly every state of our country. WIFE is structured with local chapters, state associations and the national organization. WIFE believes that:

> A strong, secure economy in the United States is directly related to a strong, healthy economy in agriculture.
>
> Improving profitability on farms and ranches is essential to improving the quality of life of both rural and urban populations. At present rural(farm) incomes are far below urban incomes because of our large capital investments(land and machinery), high input costs and low prices received at the market place. Drabenstott and Gibson in the book Rural America in Transition stated,"Real per capita income in farm dependent counties has declined annually since 1973."
>
> WIFE believes that agriculture should be the main focus of any rural development effort since agriculture is the economic base for most rural communities. Agriculture provides 70% of the raw materials used in our economy and these raw materials are renewable each year. Because all new wealth(all manufactured products) begin as raw materials this makes agriculture the most wealth producing unit in our economy. American agriculture is our nation's most vital renewable industry.

WIFE is continually striving to develop strategies and policies that will improve the economic prosperity of agriculture and the economic prosperity of this country.

The 1990 Farm Bill is a vital issue not only for the agriculture industry but for all people of this nation. The 1990 Farm Bill will cover many areas and WIFE has policy that addresses many of the issues. Issues addressed in this testimony will be divided into three areas:

I. RECOGNITION OF THE FARM WIFE'S STATUS IN THE FARM OPERATION

II. FARM COMMODITY ISSUES

III. ENVIRONMENTAL CONCERNS

I. RECOGNITION OF THE FARM WIFE'S STATUS

WIFE members are asking for your support to recognize a farm wife as a "separate person" in regard to farm program payment limitations. We are working for a legislative change in the ASCS regulation, Sec. 7 C.F.R. 795.11 which states, "A husband and wife will be considered one person in determining crop payment limitations." The present law discriminates against the wife who works side-by-side with her husband in the daily operation of the farm. It denies them the "person status" that others, including relatives, can currently qualify for in regard to farm program payments.

In June of 1987 WIFE filed a suit against the United States Department of Agriculture regarding the ASCS 795.11 regulation. In March of 1988 Judge Joyce Hens Green, United States District Court, District of Columbia, ruled in favor of WIFE. Judge Green held that the regulation treating a husband and wife as "one person" clearly violated statutory directives of Congress as set forth in various farm bills dating back to 1970.

The USDA appealed that decision and on February 7, 1989, oral arguments were heard in the U.S. Court of Appeals, District of Columbia Circuit, Washington D.C. On June 2, 1989 the U.S. Court of Appeals ruled in favor of USDA.

On July 21, the bill H.R. 2973, the "Farm Spouse Fairness and Equity Act of 1989" was introduced by Representative Ron Marlenee of Montana. When introduced the bill had twelve bi-partisan co-sponsors. WIFE is working for this bill to become law and to be included in the 1990 Farm Bill.

WIFE is not asking that every farm wife be given a payment limitation. We are asking that a farm wife who meets the criteria established for other individuals be given a "person status" and be eligible for program benefits. We are also asking that if a farm wife acquires a farm, she be allowed to keep that her sole and separate property.

A provision adopted by Congress in 1987 as part of the Budget Reconciliation Bill corrected a portion of the regulation when it gave a farm wife "status position" if she acquired her land previous to marriage. It did not address the farm wife who is actively engaged in a farm operation.

Women are acquiring land and farm operations after marriage such as our past president, Naioma Benson. She was gifted land from her parents when they retired from farming. She has not been allowed by ASCS to keep that as her sole and separate farm operation but was required to commingle it with her husbands operation.

If a father and son or father and daughter(if the daughter is not married to a farmer) can meet the established criteria they qualify for "separate person status". It is just the farm wife, who has no opportunity to hold a "person status". The present law seriously puts farm wives at an economic disadvantage and discourages women from becoming involved in farm enterprises.

Why is it when two brothers farm together as working partners each have "person status" and when a farm wife is a working partner in the farm operation she cannot have "person status"? It seems husband and wife are to be considered as "one person" only in this USDA regulation. Why, if husband and wife are "one person" do we need two social security numbers, two driver's licenses and two income tax signatures? Farm wives are required to sign all operating loans and are just as responsible for those debts as their husbands. WIFE FEELS THE RULES SHOULD BE FAIR ACROSS THE BOARD. Women should not be penalized for marrying their partners in work. This regulation echoes of days past when women couldn't vote, hold office, inherit land or own property. It's immoral and appalling that unmarried men and women living together can get two program payments.

One of the reason's USDA has opposed this bill is because of the cost. It is hard to get a handle on the exact costs, but it will be much less than USDA is currently wasting because of mismanagement of current payment limitations. A recent report from USDA's Inspector General's Office submits that ASCS made payments to many people who were not entitled to them. In fiscal 1987, overpayments totaled about $66 million. ASCS should tighten it's review process and open up eligibility to people who are deserving owners and operators.

H.R. 2973, [illegible] will allow a spouse who is actively engaged in providing management or labor to a farming operation to be eligible for a full farm program payment limitation as a "separate person" similar to existing law which permits such designations for other family relatives who participate in the operation.

The second part of the bill deals with the "treatment of multi-year program contract payments." In the event of a transfer of ownership (in event of death or upon disability of the donor) the Secretary of Agriculture shall continue to make full payments. These payments shall not exceed the amount to which the previous owner was entitled. This technical amendment will result in no increased expenditures by USDA on existing multi-year program contracts (CRP for instance) but will simply continue to honor the multi-year contract for the farm.

II. FARM COMMODITY ISSUES

WIFE urges that as long as the Commodity Credit Corporation has a commodity in storage, that commodity should not be imported; if imported that commodity be subject to the same advertising assessments, checkoffs, FDA requirements and sanitary codes as domestic products.

WIFE opposes any imported grain from being included or participating in any U.S. government marketing and/or agricultural programs.

WIFE supports legislation that equalizes storage rates paid on CCC owned grain whether it be stored by farmers or commercial storage operators.

WIFE requests the USDA report accurately crops held by CCC and that all crops on hand be referred to as INVENTORIES rather than surpluses.

WIFE supports legislation which would establish a revolving fund in the USDA with which to implement the CCC loan programs, taking the funding of the CCC loan programs out of the supplemental budget process. WIFE requests that a provision be implemented to compensate producers (such as paying interest) when CCC payments are late.

WIFE supports an escalator clause be part of farm legislation so that loan and target prices go up in direct proportion to the cost of production.

WIFE encourages U.S. grain standards be set to equal or surpass the standards of our worldwide competitors.

WIFE supports the maximum set-aside allowed by law according to the levels of carryover stocks.

WIFE supports cross compliance provisions for participating commodities and opposes any program which would place a program commodity in competition against a non-program commodity.

Grazing fee formulas on public lands should be set, taking into account the cost of production and market price.

All farm programs should include disaster payment provisions. CCC warehouse supplies and fresh farm products should be substituted for food stamps and food distribution programs when possible.

WIFE supports long-term agricultural policy based on management of supplies that allows adequate inventories to meet domestic and export needs and that it is on bushel allotments not base acres.

SET-ASIDE ACRES

A consistent and constanct NCA is necessary to implement an efficient, fair and realistic set-aside in a bushel allotment program. Once established this NCA should not be decreased.

Each farmer should be able to divide his NCA into base acreage that best suits his land and farming practices. Permanent grass and trees may qualify as set-aside and should not result in loss of NCA. Grass acres shall not be grazed, hayed or harvested.

In order to diversify a farmer should be able to raise non-program crops without losing NCA.

WHEAT

WIFE endorses the spirit of the current Food Security Act in its objective of maintaining an economical and abundant food supply for the American people while providing an adequate income for the producer.

WIFE supports a continued program to ensure producer stability while developing favorable marketing conditions. The target price should be frozen at the 1989 level for the 1990 Farm Bill. Deficiency payments should be based on a 6 month average making possible a final payment in December. A 30% advanced deficiency payment should be paid at the time of sign-up. WIFE prefers 100% generic certificates. Commodity specific certificates should not exceed 5% of certificates issued. WIFE opposes a triggered acreage reduction program for wheat.

WIFE advocates a more accurate system for grading grain. A better system for measuring protein levels should be developed.

The United States should vigorously pursue export programs authorized under the Food Security Act of 1985. The Export Enhancement Program should be maintained at current levels.

SOYBEANS

The most immediate need of soybean producers is to gain some type of income protection for soybeans. WIFE feels this can be accomplished by establishing a Marketing Loan Program that would eliminate stock build-up and help keep market prices competitive for U.S. soybean farmers. U.S. producers need to be able to continue producing rather than giving up markets to other countries.

WIFE supports the National Soybean Promotion and Research Check-off.

CORN

WIFE supports maintaining an adequate inventory through a Farmer Owned Reserve.

WIFE supports new and continued research on corn based products and in finding more efficient corn refining techinques. We support legislation that encourages disposable plastic products be made degradable by using corn and corn based products.

WIFE promotes the use of ethanol made from corn and supports legislation to extend the federal tax exemption for ethanol and ETBE.

WIFE challenges the USDA to strengthen the inspection of all commercially stored grains.

CONSERVATION RESERVE PROGRAM

WIFE requests CRP payments be in cash rather than Commodity Certificates; supports participation in the CRP and continued compliance by farmers, landlords and the USDA for the life of their contracts; opposes giving lenders the ability to place inventoried land into the CRP and in the event lenders are allowed to do so,WIFE opposes any removal of payment limitation or relaxing of guidelines.

TRANSPORTATION

WIFE believes that total deregulation benefits only those areas where there is adequate inter-and intra-modal competition. We believe that all areas should have access to efficient,safe and reasonably priced freight and passenger transportation.

Because railroads are not replacing their obsolete grain C-6 hopper cars there have been extended delays of up to 8 weeks causing severe financial problems to elevators and farmers, WIFE supports legislation that will require the payment by the railroad of reverse demurrage when car deliveries are more than 20 days past the requested delivery date.

It's been said that you can't have rural development without economic development and you can't have economic development without transportation. WIFE believes more dollars must be spent for transportation needs in rural American. Rep. Virginia Smith said, "For every dollar spent for public transportation in rural areas, the federal government spends $28 for transportation in urban areas."

RESEARCH

WIFE encourages more research into new uses for our agricultural commodities. We encourage greater use and production of alternative energies from agricultural commodities. The use of ethanol could be one major solution to ease the trade deficit, air pollution, world hunger and U.S. unemployment.

III. ENVIRONMENTAL CONCERNS

WIFE believes farmers and ranchers are the "original environmentalists." We are stewards of the soil and dependent upon the environment for our livelihood. We have the most to lose if that environment is not protected.

WIFE supports conservation and environmental programs which reflect agriculture's ongoing concern for the continued productivity of the land and nutritious food for the consumer.

WIFE's definition of sustainable agriculture is an agriculture system that will allow profitability and competitiveness while sustaining the environment (land,water,air) its people and its communities.

WIFE recognizes the importance of safe water and supports reasonable means to prevent degradation of surface and ground water. Modern technology has given us the ability to find out what is in our water but it has not given us the ability to determine what is natural and what is man-made. High school chemistry taught us that nature is made up of chemicals and minerals. Therefore we will never have an absence of chemicals and minerals in the water or food supply.

WIFE opposes unfair regulations that hold agriculture liable for damages which occur to air, water, soil or animals if all labels were properly observed. WIFE supports education procedures that will decrease misuse of chemicals by ANYONE buying and using chemicals.

No one benefits from scare tactics that are being used today regarding the safeness of our food and water supplies. Decisions must be made on a risk/benefit ratio and be based on facts and not on emotions. Let's not forget that our safe and abundant food supply is the key to the standard of living we have today. WIFE believes we must all work together in response to the challenges we face in regard to our environment.

On behalf of WIFE I thank you for holding these hearings.

SOUTH DAKOTA ASSOCIATION OF CONSERVATION DISTRICTS
PO Box 275, Pierre, SD 57501 (605) 224-0381

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Thank you for this opportunity to appear before the Wheat, Soybeans and Feed Grains Subcommittee to express our views regarding the 1990 Farm Bill. The South Dakota Association of Conservation Districts is very concerned that a balanced federal program be written to meet the current and future needs of producers and consumers.

The conservation provisions of the 1985 Food Security Act dramatically affected all producers. We feel these programs gave producers new opportunity to positively impact the environment without jeopardizing their operations. The progress we have achieved through these provisions should be continued with some revisions.

Conservation Compliance

The planning portion of conservation compliance is basically completed and accepted. According to a survey recently conducted by the Soil and Water Conservation Society, 80% of the producers who have obtained a plan said the plan was reasonable and practical and will have little or no economic impact on their operation. However, implementation of these plans will require additional technical assistance and funding. The same survey noted that implementation and monitoring workloads will probably exceed the actual staff currently available as over ½ of the producers will need technical assistance in implementing these plans and 60% will need public cost-share for implementation.

One of the questions left unanswered in the rules for implementing conservation compliance is how to treat farmers who acquire highly erodible land which does not have a compliance plan. We believe that if these producers are in compliance on all other tracts of land, then they should be allowed five years from date of acquisition to have a compliance plan fully implemented on this new land without loss of federal farm program benefits.

Under current rules, every farm must be in compliance in order for a producer to be eligible for program and other federal benefits, even though his landowner may prevent a tenant from applying an approved conservation plan on rented land. The new law should not require offsetting compliance, so that the producer would be ineligible for program benefits only on those farms which are out of compliance with the erosion reduction requirements.

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We have long argued the current Farm Programs hinder total resource management. We would like to see mandated use of multi-year set-asides along with base protection for farmers who choose to provide public benefits, such as wildlife habitat, water conservation, water quality, etc. We also believe that commodity programs need increased flexibility. These programs should be designed so that farmers can meet their conservation goals without being placed out of compliance with commodity programs. This includes flexibility with crops and cropping patterns.

The original concept of Alternative Cropping Systems (ACS's) was to provide the producer with an option if economic conditions precluded using the conservation practices designed to reduce erosion to "T." However, since 1988 the interpretation for the use of ACS's has been one of allowing any farmer to use them. No criteria for eligibility have been established, nor have any limitations been set for erosion levels. We support the adoption of specific criteria to identify those instances where it is appropriate to use ACS's and minimum criteria for erosion reduction when using ACS's as agreed to by state and local conservation agencies.

Conservation Reserve Program

We feel the Conservation Reserve Program was a basically strong concept and merits continuation with some revisions. The first item is to evaluate the effectiveness of CRP in controlling erosion and fine tune the program to make it more effective in reaching its original goals.

In keeping with President Bush's forestry initiative, increased incentives for planting trees, both as vegetative cover on entire fields and as wind breaks and shelterbelts should be provided. This can be accomplished by extending all tree contracts to 15 years, raising the cost-share rate paid for planting trees to 75%, and increasing the time period that ASCS will cost-share weed control costs.

The eligibility requirements for entering CRP should be expanded to consider other resource problems, including environmentally sensitive parameters such as sinkholes, filter strips, wetlands, aquifer re-charge areas, well-heads, groundwater protection areas, windbreaks, shelterbelts, wildlife habitat protection, and areas that would prevent a producer from meeting other required state, local or federal environmental goals if he continued to produce commodities on them.

Land currently enrolled in the CRP will begin leaving the program in 1996. In order to continue the benefits achieved under this program, we suggest that producers have the option to re-bid for an extended contract of 3-10 years. If the producer elects not to produce a crop on expired CRP acres and maintains the existing cover crop, the preservation of base history should be extended for a period of not less than 5 years. The producer should also be allowed to designate land formerly under CRP contract and not cropped as ARP acres.

Sodbuster

We feel ASCS needs limited flexibility to set penalties for violations to be commensurate with the degree of violation. It is our opinion that the current penalty of all or nothing is overly harsh.

We also suggest that sodbuster provisions become effective at the time of breaking rather than at time of planting as currently allowed. We further support the barring of sodbuster by producers enrolled in the CRP.

Swampbuster

SDACD supports addition of language that clearly states that conversion of wetlands is allowed without penalty if an approved mitigation plan is developed. That mitigation would entail the restoration of previously converted wetlands of equal size and within the general area back to a natural state. This would give farmers management options not clearly available in current language while protecting the total resource.

As with Sodbuster provisions, we feel ASCS needs limited flexibility to set penalties for violation commensurate with the degree of violation.

We support development of a program that would provide financial incentives to protect, enhance and restore wetlands. This should include rental programs and purchase of easements for protection of existing wetlands. There should also be a program that pays incentives and cost-shares restoration and creation of wetlands.

We also recommend amending current Swampbuster statute to clearly state that conversions of wetlands of a size considered negligible to the total resource or a Type I wetland will not cause the land owner to be ineligible for farm program payments. USDA will establish, in consultation with local and state conservation agencies, the maximum size of the wetlands to be eligible under this exemption.

Conservation Easements

We believe that placement of government initiated conservation easements by federal agencies on private property which results in limiting land use options is unwise public policy. These easements result in conflicts from tenancy and access, and reduce both property values and local tax bases. We oppose the placement of conservation easements by federal agencies on land in their inventory as a result of foreclosure and ask for repeal of Sec. 1318 of the 1985 Food Security Act.

Low Input Sustainable Agriculture

Rather than placing USDA's entire emphasis on LISA, we feel the concept of Integrated Crop Management (ICM) should be considered. ICM is a crop management system that integrates all production factors for long-term sustained productivity, profitability, and ecologically sound consequences. These factors include, among others, crop and cultivar selection, tillage, nutrient

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and pesticide management, prevention of pest outbreaks and field scouting. There should be an increase in the resources for research on ICM to determine their economic and scientific feasibility in commercial agriculture operations including a pilot project of demonstration farms for educational purposes through the country.

Farmers who choose to follow an ICM system should be able to so do without being penalized by commodity programs. This would have to include planting flexibility and base protection.

Water Quality and Quantity Protection

The quality of life in the United States is directly dependent upon the condition of our water resources. Among those most concerned over the condition of our ground and surface water supplies are members of the agriculture community, who have deeply rooted ties to the land and water resource base.

If not properly managed, nutrients, sediments, animal waste and chemicals associated with or resulting from certain agricultural practices can have a negative impact onlocal and regional water supplies. Recognizing its role in protecting our nation's water supplies, a coalition of agricultural commodity groups and general farm organizations, with assistance from the National Association of Conservation Districts, has developed a cooperative water pollution prevention strategy focusing on nonpoint pollution from agricultural sources.

The key components of this strategy include:

-- cooperation among federal, state and local governments, private industry and the nation's land owners and managers
-- accelerated research and reliable monitoring of the nation's water supplies in order to develop a better understanding of those agricultural practices that affect water quality and how such impacts can be mitigated.
-- dissemination of water quality information through broad-based education and outreach efforts
-- a greatly expanded program of financial and technical assistance and other incentives to assist land manaagers in targeted watersheds to develop and implement comprehensive water quality management plans
-- reliance on state authorities to address situations where individuals fail to respond to incentives and where contamination poses an immediate threat to the public welfare.

This strategy should be consistent with state Nonpoint Source Management Plans. Implementation of this strategy should utilize the expertise and delivery network of local conservation districts. Aside from their experience in coordinating myriad federal, state and local natural resource management programs, conservation districts have proven through their history to have the trust and confidence of the farm community and are recognized for their ability to find practical solutions to complex environmental problems.

Thank you for this opportunity to express our views.

SUSTAINABLE AGRICULTURE WORKING GROUP

February, 1990

COMMODITY PROGRAM POLICY OPTIONS

GOAL: To design federal commodity programs such that they (1) undergird the basic incomes of families who work on their farms and depend on them for their livelihoods, (2) reward and encourage environmental stewardship, and (3) increase the number of economic opportunities for those who wish to own and operate family-sized farms.

Background

Current commodity programs support economic concentration in agriculture by rewarding the biggest farms the most. They favor farmers who specialize in chemical-intensive production of a small number of program commodities, such as corn, wheat and cotton. This has encouraged monoculture production of corn in the Midwest, wheat on the Plains and cotton in the South, and resulted in increased soil erosion and groundwater contamination.

These biases in commodity programs have several roots:

- Farm program benefits rise as farm size increases, acting as an incentive for expansion. To effectively increase economic opportunities, program benefits should support only the volume of production sufficient to support a family but provide no subsidies for growth beyond that size. The $50,000 payment limitation has helped, but its effectiveness has been reduced by subdivision of farms and declining deficiency payments.

- Current commodity programs provide the greatest reward for production of a few soil-depleting commodities, such as corn, wheat and cotton. Farmers who add soil-building crops to their rotations lose program payments and "base" acreage for the commodities supported by the program.

- Acreage bases for individual crops constrain changes in the mix of program crops planted. For example, a continuous corn producer could not shift to a corn-wheat rotation without violating program rules.

- The higher the crop yield on a farm, the higher the farm program payment. This "payment yield" system makes it profitable to use more chemicals than would be profitable without the farm program. Although payment yields are currently frozen, recent legislation allows farmers to register actual yields in anticipation of payment yields being unfrozen.

- Current commodity programs seek to control supply by requiring farmers to take land out of production, as it encourages them to maximize production on remaining acres through its base and payment yield provisions. The net impact is that land is replaced by chemical inputs.

Alternatives to the current commodity programs

To enhance economic opportunity and support environmental stewardship, farm programs must be conceptually realigned. **Rather than encouraging production of a few particular commodities, the federal farm program should reward stewardship and create economic opportunity for people in agriculture. Benefits should be more effectively targeted to moderate-sized farms, and the acreage base and proven yield systems should be reformed to remove barriers to adoption of sustainable practices.** The SAWG has prepared specific policy options consistent with these goals. These options do not represent a unified commodity program. Some presume continuation of certain aspects of the current program, while others call for changes in the current program.

TARGETING FARM PROGRAM BENEFITS:

1. **To more effectively and consistently direct farm program benefits to family-sized farms, a two-tiered target price system should be established with a limit placed on the volume of production supported at the higher rate.** Deficiency payments--the amount paid by USDA to producers to compensate for low market prices--should be based on no more than $80,000 to $100,000 worth of program commodities. In effect, that would mean that under current price levels, government payments at the full rate would be limited to 30,000 to 36,000 bushels of corn or 20,000 to 25,000 bushels of wheat. **Eligibility for the higher target price should be phased out as the non-farm income of an eligible producer exceeds the national median income** or as the total income (farm and nonfarm) exceeds twice the national median income. Larger producers and farmers exceeding the income limits would receive payments at a lower level. In effect, this lower tier would reimburse farmers for participating in supply control and support for moderate-sized/moderate-income farmers who depend on the farm for their livelihoods. This two-tiered system should be an addition to the existing $50,000 payment limitation, rather than a replacement for it.

2. The "person" definition for application of the payment limitation and the two-tier price system proposed above should treat each household as one person, irrespective of the form of business operation. **No household should be allowed to increase its total eligibility by subdividing operations.** The eligibility of a combined operation should total that of the individual producers involved, factored by their share of risk-taking.

ENCOURAGING TRANSITION AND REWARDING STEWARDSHIP:

1. **A low-input sustainable agriculture program should be implemented to reward farmers who use sustainable practices and to encourage others to move in that direction. Legislation introduced last year by Sen. Wyche Fowler (D-GA) and Rep. Jim Jontz (D-IN) would create such a program.** Farmers, with the help of their county SCS and Extension Service offices, would develop five-year, farm specific plans which by the end of the period would limit chemical use to low levels and hold soil erosion to rates that do not threaten long term soil productivity. Under the program, participants' payment yields could not be adjusted downward during the five-year transition period. If implementation of the low-input plan resulted in lower total production, the farmer's acreage set-aside requirement would be reduced. Deficiency payments would be made on the base acres devoted to resource-conserving crops--such as small grain/legume mixtures--just as if they had been planted to the program crops. For farmers with low bases due to historic use of low-input sustainable rotations, the Jontz version would increase crop bases so that the farmer's deficiency payments would be based

on the county average crop base-to-farmland ratio. The Fowler Bill would base participants' deficiency payments on no less than 1989 target prices for five years. In addition, farmers in these programs should be allowed to trade base in one program crop for that of another, on up to 20 percent of their cropland each year.

2. **Some form of flat payment such as cost share should be made available for farmers who wish to establish soil-building forage crops such as alfalfa, clover and legume grass mixtures.** Currently producers in some states receive federal cost share through the Agricultural Conservation Program (ACP) for planting long term stands of alfalfa and native grasses. Short term stands which are part of soil-building rotations should also receive federal cost share assistance. A concurrent increase in ACP funds would be necessary.

3. **Payments should be redirected so that sustainable farmers with rotations which include soil-building crops receive, at a minimum, payments equal to those received by continuous corn and wheat producers.** A means of moving toward that goal while reducing program costs, would be to limit the percent of planted acres which can generate deficiency payments for program crops. For example, payments on program crops might be limited to 66 to 80 percent of planted acres, depending on budget and supply management goals. The cap would be the same for everyone (assuming land suitability), rather than based on historic practices. The money saved by this provision could be used to protect farmers who have already sacrificed payments by rotating with nonprogram crops, and it could also free up funds for commodity program provisions which reward stewardship.

4. **Target price levels and coverage should be adjusted for soil-building rotation crops.** The target price for oats, an excellent crop in sustainable rotations, should be raised. Crops such as triticale and rye should also receive target price coverage.

REFORMING THE BASE ACREAGE SYSTEM:

1. **Federal farm programs should be switched back to the normal crop acreage approach (NCA). Under NCA, each farm is granted one total historic base for all program crops,** which allows greater cropping flexibility. Land planted to alfalfa, clover, rye, triticale and other soil-conserving crops should be included in the NCA base. However, the flexibility provided by the NCA should be limited to cropping shifts that do not have adverse environmental impacts.

2. **Land should be included in the normal crop acreage (NCA) base only if it can be cropped without excessive erosion.** No commodity program payments should be made on crops planted to land eroding beyond the rate at which the long term productivity of the land can be sustained; referred to as the tolerance level or "T".

3. **Producers should have the option of putting some portion of their planted acres in resource-conserving crops and being paid as if they had planted one of the higher paying program crops grown in their area.** For the purposes of this recommendation, resource conserving crops should include rotated nitrogen-fixing forage legumes (alfalfas, clovers, etc.), including those interplanted with grass and small grains. In the event that this provision is adopted but individual crop bases are retained, bases should be increased for producers who have small bases due to historic use of crop rotations, for the purpose of drawing payments on resource-conserving crops only. However, in no case should bases be raised beyond the extent of cropping to which the land is suited. A similar

provision is included in the low-input sustainable programs introduced by Senator Fowler and Representative Jontz, discussed earlier in this paper.

FURTHER REALIGNING FARM PROGRAM CONCEPTS:

1. **If acreage set-asides are retained, a program of multi-year set-aside contracts for a minimum period of three years should be established** to further bring production under control in an environmentally responsible manner. At least 20 percent of the land taken out of production each year should be included in such multi-year contracts. Any highly erodible land included in multi-year contracts should be established in permanent cover. All other lands included in any set-aside or diversion programs, including annual set-asides, should be required to be rotated and sown in a soil-building legume crop to provide full year protection, with up to 20 percent reserved for wildlife habitat. Cost-share funds should be provided to compensate farmers for costs of establishing vegetative cover.

2. **Congress should explore the feasibility of basing supply control provisions on volume of production rather than acres planted.** This should be a production limit and not a grain marketing limit. The limit should apply to commodities fed to livestock and otherwise used on the farm, as well as that sold. Volume limits should be based on total production of all crops and thereby recognize the supply control contribution of extensive rotations. This would require creation of a standardized system which could provide a like measure of all commodities. For feed stuffs, for example, such a system might be based on total digestible nutrients produced. Such a system would allow farmers to meet supply control requirements by reducing input use or going to less intensive rotations, instead of idling land.

3. **The established yield system for determining farm program payments should be replaced with a system based on land productivity.** One option would be for USDA to develop a formula including rainfall, irrigation, climate and soil types (from SCS), etc. in order to establish the appropriate yield for each farm, based on a sustainable system. An alternative would be to develop modified county average yields. Average yields would be calculated for major land classifications within a county. Based on existing SCS soil maps, each farm would be classified as to its productivity.

February 9, 1990

Mr. Dan Glickman
Chairman
Wheat, Soybeans, and Feed Grains
Subcommittee
Room 1301, Longworth House Office Building
Washington, D. C. 20215

Mr. Chairman:

The South Dakota No-Till Association will go on record to support Conservation provisions in the 1990 farm bill. We are looking for measurers that reward farmers who practice no-till methods instead of penalties.

The Conservation Reserve Program (CRP) in it's infancy appeared like a good program. Now, years later, the inequities show up. Cash rent has increased 30% to 75%. The reason, CRP payments are more than twice the cash rent per acre. Farmers are now in direct competition for lease land. The producers with a CRP budget still want to farm the same amount of acres.

Low Input Sustainable Agriculture (LISA) and Maximum Economic Yield (MEY) are two acronyms widely used today. They have the same meaning. We are sustainable if we are producing economic yields while protecting the soil from wind and water erosion.

The South Dakota No-Till Association holds two workshops a year to educate growers on proper rotations and other related subject matter. Producers can see first hand how rotations of crops can reduce the use of chemicals. Proper timing and growing conditions of the crop are very important factors in determining which chemical to use. Economics, being the leading indicator, dictate the low or one-half labeled rates of active product used. The option to use labeled chemicals, if needed, should be flexible.

Crop Insurance (FCIC) or a disaster package, that is the question! A disaster package has its faults because County lines, instead of geographic locations, set up eligibility for aid. As an example, the county I farm in, there is a rainfall difference of 1.92 inches over a 30 year average. In a rain belt of 17 inches per year an additional 1.92 can mean the difference of net profit or loss. Example: 6 bushels wheat to one inch of water = 11.52 bushels @ $3.50 is $40.32. Now, add drouth to the same problem. There is a direct imbalance from one side of the County to the other side. Also, more CRP acres in one area of the county will increase the chance of a grasshopper infestation. The producers, in this case, do not have any personal crop protection.

FCIC NEEDED BRAIN SURGERY, NOT AN ABORTION.

There were a lot of problems with crop insurance, but there are solutions. A properly written program will be self sustaining. Here are some suggestions:

1. Put FCIC back in the ASCS office.
2. Subsidize our premiums on the first 50% of coverage. The grower than assumes financial liability for 65%, 75%, or 85% option.
3. Winter wheat and spring wheat in South Dakota should be two separate policies.
4. No-Tilled winter wheat should have a premium discount as an incentive because winter survivability increases when planted directly into standing stubble.
5. Drop "T" factors for Actual Production History.
6. Set guidelines for FCIC program before July 1 deadline.

The South Dakota No-Till Association Incorporated strongly urges your help in reinstating FCIC immediately with the needed changes to provide a solid sustainable program.

Thank you for this opportunity.

Sincerely,

Rick Heintzman
President
South Dakota No-Till Association Inc.

TESTIMONY PREPARED BY MARIE FISHER

FARMER-PRODUCER

Mr Chairman, Members of the Committee; My name is Marie Fisher. I am a mother, grandmother, widow and a farmer. I am president of South Dakota WIFE, (Women Involved in Farm Economics), Tripp County Farmers Union Legislative Director and District Publicity Director and a member of South Dakota Wheat Producers. I was also Tripp County Farm Bureau President for a couple of years.

Thank you for permitting me to testify here today. I am testifying on behalf of myself and my family as farmer producers.

First, because we are in a drought area, our pastures are very grubbed out and in need of a rest so we would very much like to be able to plant our set-a-side acres to a feed crop that we can either hay or graze this summer. This is especially necessary in counties that were declared as disaster areas this last summer. Hopefully, we will get moisture this spring. Conditions are very dry now.

In the 1990 farm program, we would like to have a bushel-pound allotment based on our acreage base. We would get certificates which would enable us to sell a specified number of bushels or pounds of crop. This would eliminate having to plant a crop on a piece of ground that is not satisfactory for that crop, thus requiring us to use more chemicals and fertilizer to get a crop from that piece of land or lose crop base. Our main crops are winter wheat and milo (grain sorghum). We want to do the best job of conservation farming possible but still have a profitable operation. Another benefit of the bushel-pound allotment is that in a good year, we would raise excess grain that would be stored to sell in a year when we have a short crop, thus we would to some extent carry our own crop insurance.

We have worked hard over the years to build up our crop acreage base and are very opposed to the whole farm acreage base concept where any crop can be planted on the farms crop-land base.

We are also very opposed to the GATT talks being able to control U. S. farmers farm programs. There is not a free market and it certainly will not benefit the U. S. family farmers. It will just make the U. S. the dumping ground for the world and break the American family farmer producers. We need cost of production plus a fair profit.

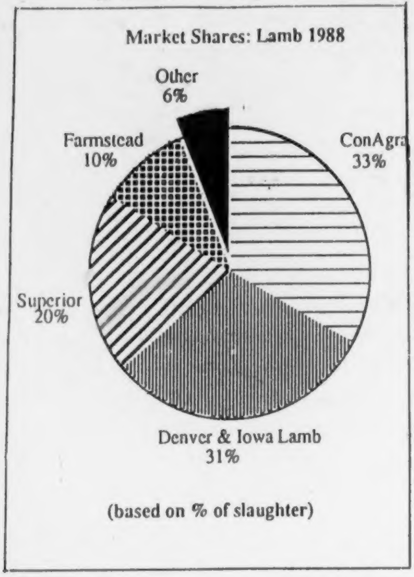
Ethanol promotion should be continued in the new farm program. It is a renewable product that protects the environment, helps the balance of trade and increases the income of farmers, thus the economy of the nation. We are opposed to lowering the oxygen content of oxygenated fuels. Since ethanol became available for farm delivery in our area, we have been using it in all of our gasoling burning motors with good results. The by-product, distilled grain is a good high protein human food and is an especially good food to give to starving people around the world who are short of protein.

There are laws on the books that are suppose to prohibit the corporations like IBP, Cargill and ConAgra from controlling the food industry, especially the livestock part. Livestock waste is a big pollution problem for the large feedlots. That is one of the reasons why livestock should be fed by the family farmer. When livestock is fed on the farm, the farmer uses the livestock waste products for fertilizer thus cutting the need for commercial fertilizer. The cost of road repair is cut because the grain and fertilizer are not hauled by the big trucks. The farmer has a chance to make more profit when the big three are not controlling the industry and the consumer will profit in the end because there will be a competitive market. This all works into the concept of LISA. A diversified farm operation can be most profitable when livestock consumes part of the crops raised on the farm and their waste is put back onto the land for fertilizer. This can not happen until such time as the control of the food industry by the big processors is reduced. Country markets can easily drop substantially when one of the big corporations is not buying livestock that day. Most farmers and ranchers can not take that risk so now they are forced to sell their grain to the elevator to be shipped out and their livestock to the big feed lots and then bring in commercial fertilizer for their fields.

As a widow, a farm owner and farmer who does not want to lose her rights, I ask that you support HR 2973, THE FARM SPOUSE FAIRNESS AND EQUITY ACT as part of the 1990 farm program.

Thank you for hearing my testimony.

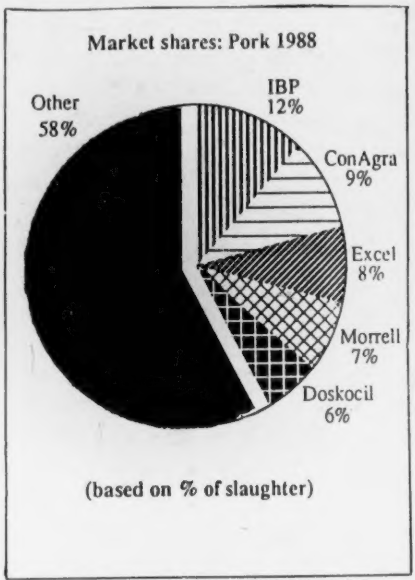
Taken From THE MEAT TRUST October 1989
A Western Organization of Resource Councils Factsheet



Market Shares: Lamb 1988

(based on % of slaughter)

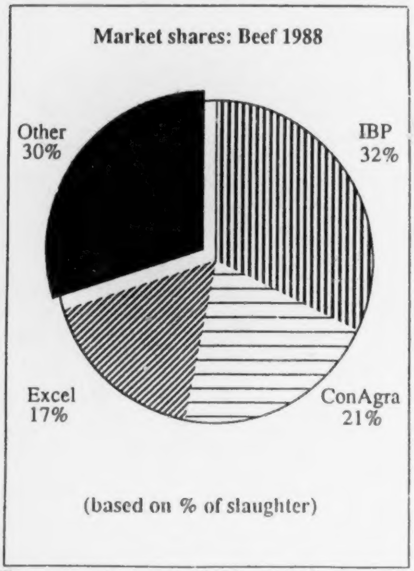
The top four companies control an astonishing 94% of all U.S. lamb slaughter.



Market shares: Pork 1988

(based on % of slaughter)

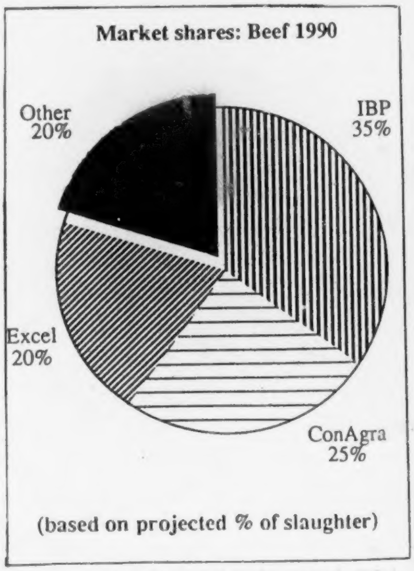
Just five companies controlled 42% ofthe U.S. hog slaughter in 1988. The share of the Big Three is expected to rise to 60-70% within four years.



Market shares: Beef 1988

(based on % of slaughter)

Three companies controlled 70% of all U.S. fed cattle slaughtering in 1988.



Market shares: Beef 1990

(based on projected % of slaughter)

Four of every five fed cattle slaughtered in the U.S. in 1990 will be processed by the Big Three.

"When a few large firms buy, slaughter and sell the meat products from most of the livestock produced by farmers, those few firms are in a position to control the price they pay for livestock, control the quality of meat produced, and control the price of meat products they sell--such firms are motivated to pay the lowest possible price for farmers livestock, produce the minimum quality meat product the consumer will accept, and charge the highest possible price for the meat products they sell." (John Helmuth, Iowa State University)

Today, three corporations--IBP, ConAgra and Excel (Cargill)--account for 70% of the U. S. fed cattle slaughter.

IBP, ConAgra and Cargill are also the three top pork processors. ConAgra is the largest lamb processor, second largest poultry processor, largest seafood processor and the largest flour miller; Cargill controls one-quarter of the world's grain trade and is the country's number one egg producer, number two soybean crusher and flour miller, and number three corn miller. Each of the firms is aggressively expanding production. The monopoly control which these firms exercise has serious implications for producers, consumers and their communities.

Concentrated livestock production eliminates the possibility of integrating livestock and crop production and turns livestock manure from a natural fertilizer (replacing chemicals) into a huge waste disposal problem, contaminating water supplies and creating noxious odors. This further reduces options for family farmers seeking to make a living on the land.

If current trends towards increased concentration of livestock feeding and meatpacking continue, the vast majority of livestock will be fed in a few large feedlots and slaughtered in a few large plants. In recent years Montana has lost 1,1000 jobs as small beef and pork packers have been forced out of business. Iowa lost 9,000 meatpacking jobs in the 1980s. Between 1977 and 1986, Colorado lost 1,200 meatpacking jobs.

Today, it can be argued that forward contracting, packer feeding and discriminatory pricing practices violate Sec. 202 of the packers and Stockyards Act and Sec. 3 of the Clayton Act. Also, most mergers and acquisitions by the big packers violate the Sherman Act and Sec. 7 of the Clayton Act by reducing competition.

By integrating feeding and processing, grain companies capture the profit from their competitive advantage of grain handling.

PRESENTATION ON THE NEW FARM BILL
BY
RICHARD NEGSTAD

RR 1 Box 46
Volga, SD 57071
(605) 826-4385

The new farm bill should:
1) Provide flexibility
2) Be easy to administer
3) Increase conservation of natural resourses

These three points could be accomplished by a "production reserve". Currently we have a "conservation reserve" which is generally well accepted by rural and urban people alike. The "production reserve" could have some of the same characteristics as the conservation reserve.

It could:
1) Require land in the reserve to be seeded to perennial cover.
2) Be for more than one year.
3) Reduce production and thus limit surpluses.

I would suggest that the production reserve would require any participating farmer would have to put the appropriate acreage in a conserving use (seeded down) and be paid for this reserve. The amount paid should be high enough to encourage participation and provide the desired amount of U.S. Government support. The payment rate per acre would need to be approximately 2 or 3 times the current cash rent rate to accomplish this. There would need to be protections in the Farm Bill so that tenant farmers can perticipate and not be negatively affected.

There also should be strict limits on how many acres a farmer can place in this reserve - probably limited to the maximum acreage that would provide $30,000. Also, the farmer should be required to place some of this reserve on each quarter section (for this region) he farms, so that not only poor land is placed in this reserve. The farmer should be permitted to contract land into this reserve for more than 1 year - most feasibly 3 to 7 years, so that it would be practicable to seed down with grass to leave the land in the reserve. It should also have an option, that for an extra payment, the farmer would provide open hunting on this land. This would help improve rural-urban relationships.

The only other segment of a farm program needed in my belief, would be a loan program with loan rates at approximately today's levels. The farmers are the primary group hurt financially by surpluses of grain, so the filling of all bins and other storage areas should be avoided. If there is to be a grain reserve program, make it such that the farmers get the Lion's share of the benefits.

This farm bill would have no acreage bases or crop yields and would treat everyone equally. This would save farmers and ASCS employees a tremendous amount of time. A farmer could plant whatever he/she wanted to, or could plant nothing at all, and still qualify for farm bill benefits.

PERSPECTIVE

Top Producer Jan. 1990

FARMERS NEED A BILL OF RIGHTS

By Michael R. McLeod

In view of the importance of the government farm program to major crop producers, it is essential that they be able to assert their claims to program benefits in an unbiased forum. Unfortunately, the Agricultural Stabilization and Conservation Service (ASCS), in the interest of uniformity, often overrules or modifies county committee actions and limits their independence of choice.

It is time for a Farmer's Bill of Rights that covers the following guarantees.

1. Impartial review. Farmers should have the right to an effective, impartial and objective review when an administrative decision by ASCS at any level is thought to be in error.

Although ASCS has had an appeal procedure in place for many years, it has never met the fundamental principles of "due process." The last revision of the ASCS appeal regulation made it clear that the regulation provides no right of review with respect to "general program requirements." It only provides a basis for appealing "individual determinations."

Although the process provides three levels of review, from the county committee to the state committee to the Deputy Administrator, State and County Operations (DASCO), a decision favorable to the farmer at any level may be overturned by the administrator of ASCS—or a designee of the administrator—at any time. DASCO, generally the final judge, is also the program administrator. Thus there is no separation of the power to judge from the power to administer.

Rulings from DASCO program decisions are often sought in advance by state and county committees in order to avoid "second guessing." Appeals through the system after the state or county has decided such questions may be pointless—DASCO has already ruled.

The illusion of independence is provided by the use of "hearing officers" at the Washington level. This group, known as the Appeals Staff, reports to DASCO. However, the regulations make it clear that the appeal is to DASCO, and DASCO—not the member of the Appeals Staff who hears the case—signs off on the decision in every case.

While a farmer may be represented by a lawyer in the proceedings, and while he or she must be given a "full opportunity to present facts and information," no provision is made for the compulsory attendance or cross-examination of adverse witnesses. USDA personnel knowledgeable about the facts of the case and about audits, procedures and instructions need not be made available for questioning.

In the event of an appeal from an adverse county or state committee decision, due process would entitle a farmer to: (1) the right to retain private counsel and be represented by such counsel at a hearing; (2) the right to present a reasonable quantum of argument and evidence at a hearing on the case; (3) the right to confront and cross-examine adverse witnesses at the hearing; (4) an impartial adjudicative body; and (5) a brief written statement of reasons and evidence relied upon to support the final decision.

The lack of these fundamental bases of due process deny farmers the rights that other citizens have long taken for granted.

2. Right to know. Farmers should have the right to receive program information far in advance of planting.

Knowledge of program rules is absolutely essential for borrowing funds, buying crop insurance, lining up supplies of seed and fertilizer, arranging for rental land and making equipment decisions. Next year, the problem will be more acute than ever because Congress will be setting new rules for the 1991 crops of wheat, feed grains, rice, upland cotton and other major commodities.

3. Prompt decisions. Farmers should have the right to receive prompt decisions and determinations relating to their individual farm plans and problems.

Delays have long been the rule. The process could be speeded up if ASCS would accept more decisions by county committees without requiring endless bureaucratic reviews at ever higher administrative levels. The county committee system has a firm base in the federal levels. It should be permitted to work.

4. No "second guessing." Farmers should have the right to be secure from "second guesses" by auditors and officials where no fraud, abuse or criminal activity is involved.

One of the reasons county committees delay decisions is that they are afraid to decide program questions with respect to individual farms without backup advice from their state office and Washington program divisions. As a result, vital decisions are delayed until it is too late.

"Second guesses" by the auditors also have resulted in major monetary claims. Efforts by farmers to maximize program benefits when commodity prices are depressed lead to later audits that find program abuse—often without real foundation. A farmer may suddenly be presented a bill for hundreds of thousands of dollars for payments he has received in previous years. Defending against these reclaims is expensive and time consuming. Moreover, farmers are denied fundamental due process, because they are appealing to the same people who have already made the decision for the reclaim. In the absence of fraud or misrepresentation of facts, reclaims should be used to correct future administrative performance, not to open closed cases in which some erroneous action was innocently taken by the county committee and the farmers.

5. Local control. Farmers should have the right to effective program administration by the "elected" county committees.

Congress envisioned responsive local administration of the farm programs. Instead, this grassroots system of administration is being eroded. These farmer-elected officials are increasingly subjected to oversight by state and federal USDA employees. They may be second-guessed by OIG auditors. They may be summarily suspended from office. Their decisions may be overturned by USDA personnel.

It is time for Congress to ensure that farmers who participate in federal farm programs are treated fairly. ◀

Michael R. McLeod is a former general counsel for the U.S. Senate Ag Committee and now practices law in the Washington, D.C. firm of McLeod and Pires. John Harris helped prepare this article.

FOOD FOR PEACE

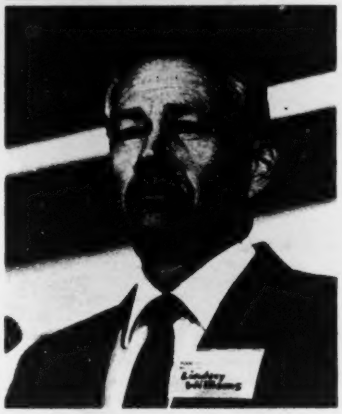
1990 Midwest Tour

LINDSEY WILLIAMS

Author and Lecturer, and

LAWRENCE FREEMAN

President, Food for Peace



Learn the Shocking Causes of the World Food Crisis

American food production is breaking down. We are importing record amounts of food from our starving South American neighbors. Representative Charles Hatcher (D-Ga.) of the House Agriculture Committee announced at recent congressional hearings that the U.S. food reserves, which have fed the needy for decades, are "largely exhausted." U.S. government-donated cheese has been discontinued from the school lunch programs, and millions of children are being deprived of basic nutrition because of the existing milk shortages.

World food stocks, according to the United Nations Food and Agricultural Organization (FAO), are at record lows, while one-third of the world's population is living at nutritional levels lower than what is required to sustain human life. Even so, the U.S. government is eliminating the family farmer and shipping record amounts of grain (including our strategic reserves) to the communist regimes in the Soviet Union and China.

Hear Lawrence Freeman and Lindsey Williams provide new information on the degenerate financial clique whose policies are destroying our economy. Hear the political and economic solutions to this crisis offered by the economist, congressional candidate, patriot, and political prisoner Lyndon LaRouche.

FORMULATION OF THE 1990 FARM BILL

FRIDAY, FEBRUARY 16, 1990

House of Representatives,
Subcommittee on Wheat, Soybeans, and Feed Grains,
Committee on Agriculture,
Wichita, KS.

The subcommittee met, pursuant to notice, at 8:30 a.m., in the lecture hall, Ryan Library, Newman College, 3100 McCormick, Wichita, KS, Hon. Dan Glickman (chairman of the subcommittee) presiding.

Present: Representatives Penny and Roberts.

Staff present: Joseph Muldoon, assistant counsel, Greg Frazier and Anne C. Keys.

Mr. Glickman. The subcommittee will come to order. This is a formal hearing of the Subcommittee on Wheat, Soybeans, and Feed Grains, the last of our field hearings before we begin writing the farm bill. My colleague Pat Roberts, and I, are privileged to serve on this subcommittee, as well as several others.

We have been in the Pacific Northwest, we have been in the Dakotas, we have been in the Texas Panhandle, we have been in corn country, and in Indiana corn and soybean country, trying to figure out what this next farm bill ought to be.

But before I would proceed any further, I would like to introduce the president of Kansas Newman College, Tim Duszynski.

We want to express our appreciation to Kansas Newman for letting us use this facility today, permitting us the use of the coffee.

Tim, I would like you to say a couple of words.

REMARKS OF TIM DUSZYNSKI, PRESIDENT, KANSAS NEWMAN COLLEGE, WICHITA, KS

Mr. Duszynski. On behalf of the board of directors, and the students and faculty, I welcome all of you today. This is an important event, obviously, in the lives of all of us here in this region. It is particularly gratifying to see all of you who have braved the icy side streets and back roads to be here today.

It coincides with an important day in the life of the college. And, I think it is nice that we are all playing, unbeknownst to you at this time, an important part in our lives.

Today is what we call "Discover Newman Day;" a day in which prospective college freshmen, who are currently high school seniors, and their parents, from all over the Midwest come to our campus for a weekend to see the various things that we have to offer. During the course of the day you will see students and parents roaming around the campus.

We have invited them, since it is a public hearing, to come and join us as their time and interest allows. It will be a good opportunity for them to see you all, to see, in fact, democracy in action.

So, we are real pleased for you to participate in this process, which certainly will be a very important practical learning experience for our community, too.

Again, thank you all for being here. Have a good morning. If there is anything that you need to make yourselves more comfortable in our facility, please call myself, or call it to the attention of one of the Congressmen here, and we will be happy to accommodate you.

Again, thank you so much.

Mr. GLICKMAN. Thank you Tim, and we appreciate very much the use of the facilities here.

Before we begin, I would like to make just a couple of opening remarks, and then turn the podium over to my colleague from the First District, Pat Roberts, for any remarks that he might make.

I would note for the record that Governor Hayden, who is listed first on the witness list this morning, will not be here until around 11 o'clock, so we will put him on as soon as he comes in.

OPENING STATEMENT OF HON. DAN GLICKMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. GLICKMAN. This 1990 farm bill, or Food Security Act or food bill, I think, is probably the most important piece of legislation that we, in the Congress, will vote on this year, bar none.

Because, it will decide, not only what our farm programs are going to be like, it will also decide whether consumers in this country who live in big cities, small towns and everywhere in between will be able to have a secure and stable supply of food at reasonable prices that we have had for so long in this country. It will also ensure that hungry people in America, and around the world, can continue to be fed, as well.

One of the reasons it was called the Food Security Act of 1985 is because it was not just a farm bill, it is a bill to provide a stable supply of food in this country.

We in America have never had to go to war because we are out of food. And, that is largely because of two things.

One is that we have been blessed, geographically, with the most wonderful area of the world in which to produce food.

And the other reason why is because over the last 50 years on balance that we have had sound agricultural policies that have encouraged people to produce that stable supply of food at reasonable prices.

Americans pay the lowest percentage of disposal income of any country and any people in the world for food. That is something that sometimes we take for granted, and it is due, in large part, to the productive efforts of our farmers and ranchers, who are the primary reason why that is, in fact, the case.

This 1990 farm bill is a way that we continue this policy, probably for the next 5 years. And, it is a chance for you all to let us know what ought to be in there, and what ought not be in there.

I hope that you will give us your thoughts on issues. For example, what target prices should be, what loan rates should be, what kind of flexibility program that we ought to have in this farm bill, and, environmental issues, Farmer-Owned Reserve, the whole assortment of things that will determine whether the next 5 years will be productive.

The last 5 years were very rocky; 1985, 1986, and 1987 were among the toughest years agriculture in this country has ever faced, but 1988 and 1989 were much better years. And, some of that may be attributed to the 1985 farm bill, I suspect a lot of it was attributed to the fact that prices went up because of weather conditions.

The livestock industry has had a much more comfortable last few years than they certainly had in the early part of the 1980's, and we cannot forget the significance of the beef industry, the pork industry, and now the chicken industry to this State of Kansas.

And, of course, even though our subcommittee has jurisdiction over just wheat, feed grains, soybeans, and other oilseeds, we have to understand the affects on the livestock industry because animals eat those things.

So, this hearing will give you a chance to give us your thoughts. And, in addition to that, at the very end, I have asked a couple of folks to come and talk a little bit about food programs.

I think it is appropriate that, not only are we concerned about what farm programs are going to look like, but at the end we recognize that part of this farm bill is the Food Stamp Program. It has been in the farm bill for years and years, and I have asked the folks who represent some people who are the neediest in our society to come in and tell us about what is on their mind.

By the way, this is the first farm bill hearing that I have ever been at, in my life, where we have had both producers, ranchers, and people representing hungry people at the same hearing. I think it is appropriate that we do that, considering America's bounty is food.

I know that you all will have specific comments. As I said, this is your chance to let us know what is on your mind.

We are in the heart of wheat country. We are also in the heart of cattle country, and a lot of other products, as well, so make sure that you do not spare any of your thoughts, as direct or candid as they may be, on how to deal with it.

One final point. The administration, in their budget proposal, their crop proposal, has suggested that we spend $1.5 billion less next year on farm commodity programs than we spent this year.

If Congress honors that, or if the budget cannot be cut in other ways, that will mean some very serious choices for us.

One choice could be cutting target prices, one choice could be raising loan rates significantly, one choice could be targeting farm benefits to middle-income producers. None of those choices are very palatable choices, but all, or some of them, could be necessary if we are held under the gun to cut that extra $1.5 billion.

The chairman of the Agriculture Committee repeatedly says, and he is right, how small a percentage of our national budget is spent on agriculture—in commodity programs, 1 percent, next year. I do not think that is too much money when you consider the importance of agriculture to America's national security.

But, we are also under the gun budgetwise. If we have to make those cuts, we have to make some very difficult choices, and we would also like to have your help in that regard, as well.

So, saying that, I would now like to yield to my distinguished colleague from the big First District, welcoming him to the big Fourth District, Congressman Pat Roberts.

OPENING STATEMENT OF HON. PAT ROBERTS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. ROBERTS. I would say that if this is the heart of wheat country, that the First District is indeed the soul, in regard to caring and production.

Dan has heard me say, many times, the 58 counties I am privileged to represent, is what we call real Kansas. That does not mean that you are unreal, it just means that that is where the bread and butter does come from.

So, let me get to my remarks, and we can get to the witnesses. I want to thank you for calling this hearing. I am very much looking forward to the testimony and the advice and the comments from many of our commodity groups, our farm organizations, and our agribusiness groups and the food groups that you mentioned.

I know you folks take a lot of time out of your schedule to come here and give us very valuable suggestions and advice. I really appreciate it more, especially when the weather is so bad.

There are a couple of issues that I would like to share with you, and have you carefully consider, all throughout this hearing. And, they are issues that, I think, could profoundly change the entire structure of the farm programs, as we know them.

Now, for some time, you have heard me say, you have heard Dan say, you have heard Senator Dole and Senator Kassebaum say that we had hoped we could extend the current act, and we hoped we could do it in an expeditious fashion.

Some of us wanted to do it in the last session of Congress, under the banner of consistency and predictability. And, we did not think we were going to have any major issue here in terms of the commodity programs or any real blunt pressure for radical change.

And, the thought was that the writing of this farm bill would not be that contentious, if you will.

I have been through a lot of farm bills, both with my predecessor, and myself, and I had hoped that we could expedite this. But, it seems to me that, for the first time in many, many years, we are going to enter into a debate, not so much on the design of the Farm Program, but why we have a Farm Program, what the rationale is.

Several issues, more like Trojan horses, if you will, are really pertinent to what I am talking about.

First, base flexibility. For 5 years I have been battling with the USDA, and working with my colleagues, and many of our farm and commodity groups, on trying to get them to focus their attention on the issue of being more flexible.

About 1 year ago, almost everybody in Washington actually discovered the word. All of a sudden it became No. 1 in everybody's speech, and, I was encouraged, you were encouraged. I think they are beginning to see the light.

I do not know how many letters Charlie Stenholm, a member from Texas and the chairman of the Livestock Subcommittee and I wrote, and we held lengthy hearings on the issue of flexibility; and then we used to write a letter to the Secretary, asking for a 20-percent substitution, discretionary authority that he had. Actually, that is down to 10 percent.

He would send us back a four page, single spaced letter saying no. Well, all of a sudden that has changed. There are more definitions of flexibility than you can really keep up with.

And, with very little fanfare, the USDA not only danced with flexibility but I think they have adopted it. And, they used the phraseology: "From the years of normal crop acres, or NCA."

And, if I appear a little concerned, or a little puzzled, it is just that all this support for flexibility, and particularly from those who have been 180 degrees from what we have been advocating, sends up a little warning bell in my head.

I commend the Secretary for taking the bold step of endorsing base flexibility for ASCS programs. I am encouraged that farm country is finally being listened to on the issues. I am very happy about that. However, after visits with the USDA staff, and analysis of the Secretary's proposed flexibility, I am afraid we may actually throw the baby out with the bath water.

Farmers have been telling me for years, what we need is some reasonable, workable flexibility options that will allow us to make those day-to-day management decisions relative to marketing, pest control, and conservation, in a common sense fashion.

I am worried the Secretary's proposal goes considerably beyond this.

The administration's proposal does provide maximum flexibility. I see several potential problems. First, it would lead to supply/demand distortions. Although we have had a lot of that in previous farm bills.

For regions where conditions dictate the production of a limited number and variety of crops, there is the danger of allowing other producers, and growing regions, to invade a crop, if you will.

For example, suppose we have additional dry conditions, and Lord knows, we hope that is not the case, here in our country, and the price of wheat went to $5 a bushel. With USDA's base program in place, you could have corn farmers taking their corn and bean crop off this fall, and going back to wheat to take advantage of the run-up in price.

They pull wheat crop off next June and go in with a short season bean. The extra wheat acres in the Corn Belt have hammered prices, and the traditional wheat country is left, simply holding the bag.

Second, this total flexibility concept does not reflect reality that efficient producers need to be successful. The Secretary's proposal, let us call it what it is, it is called decoupling. That is what the proposal is.

They call it flexibility, but that is a smokescreen, as far as I am concerned, to trot out the decoupling horse.

The point is that under this type of program, benefits are based on crop history. Now, think about that. A producer could actually be planting any crop other than the program base crop and still receive a payment.

Now, if you think we get a little criticism in the Congress for getting paid for not growing anything, think what it is going to be to get paid for a crop that is a program crop, but you are not really growing that crop.

Without some moderation this version of flexibility will simply take us a step further away from the dock of supply management. It will add another layer of confusion and complexity to an already complex program.

I would guess that 2 years down the road, most of us would be at a loss to explain what particular farm payments are based on. I do not think anybody here can do that after 2 years.

Next week, along with my colleague, Mr. Stenholm, we will be introducing our shop mechanic update of bases and yields. Unlike the secretaries of some of the other flexibility versions, my version is very simple.

It focuses on the current act, the one that producers have been working with, or trying to work with this past 5 years.

It is imperative that any base and yield flexibility options be consistent with the hard work that our producers have done over the past 5 years to get their crop bases in line with the ASCS requirements.

The bill will provide a reasonable level of flexibility along the lines recommended by producers. Farmers do not want total flexibility. We have worked too hard to regain some semblance of order in our supply/demand situation. What is needed is predictability.

Now is not the time to create yet another base program that completely changes our bases or yields. My bill, along with the current act provisions, as carried forward by the chairman, and the vice chairman, Mr. Madigan, will provide 20-percent base adjustment flexibility for program crops. It will carry forward the hard won provisions for oil seeds and other nonprogram crops, and we will provide a workable adjustment formula for moving program yields closer to reality.

Now, there is one other thing. I apologize for going on so long, Mr. Chairman, but I am very much concerned about these provisions. It is called "means testing."

One of the many suggestions for reducing the $1.5 billion that the chairman has referred to in the President's budget message, as endorsed by the Secretary, was something called "means testing."

I know my good friend and my colleague, and also, Mr. Penny, who will be here, have talked about that when we talked about how on Earth we could get the budget to fit in underneath those restrictions and, yes, how do we make the Farm Program truly fit those who truly need it?

And, so, Dan, I can appreciate that you are a fan, not an ardent fan, perhaps, but at least, from the bleachers, of "means testing," but I have to tell you, it just worries me.

We have been down this road enough times to know where it leads. I mentioned the dock of supply management, earlier. If decoupling takes a few steps from the agricultural policy foundation of managing our inventories, and demand, "means testing," or what we call "targeting" now, is the proverbial country mile.

These are shark infested waters once you leave that dock of supply management. Now, I will face the fact that many of my colleagues, who support turning farm programs into welfare programs, have the numbers on their side on the floor.

I just got a "Dear Colleague" from Dick Armey, who is a Member of Congress from Texas, a self-declared secretary of agriculture, along with five or six that Dan and I have to work with on the floor. Dick is in the right field bleachers and Sil Conte and Barney Frank from Massachusetts are in the left field bleachers, so this is very bipartisan, in terms of the efforts.

And, you can get the whole tone of this. Let us see. Total cost has been staggering, talking about the farm bill, spending too much on farm subsidies, cut payments to wealthy farmers, the only thing they did not put in there was "fat cat."

I have introduced a bill to eliminate this money for the least needy farmers. It would prohibit direct farm payments to any farmer with an income greater than $100,000 a year, or to any farm entity with gross sales above $500,000 a year. That is for openers.

Wait until other folks get a hold of this. It is going down, it is not going up. And, so that is the concern that we have.

It is virtually impossible to go to the floor of the House and defend Farm Program benefits for big, wealthy, fat cat farmers, particularly when your opponents are using as a counter balance, for example, the welfare mother of four who receives only $10,000 per year.

Most farmers will look you in the eye, and say, Pat, I agree that big farmers should not receive payments. And, most will quickly add they are not a big farmer. And, the levels that are proposed by the chairman, and others, $500,000, $750,000, $1 million, are big numbers.

We have done some figuring on how many people in our district that that would really affect. If you take 1,000 acres, 35 bushels per acre, $3.50 a bushel, $122,500.

More realistic, 750 acres of wheat, that is $91,875, 250 acres of milo, that is about $35,000, if you run about 300 head of cattle, that is about $168,000, you are up to $294,875. That is gross income, not adjusted gross income.

So, you can see, it really does not pinch everybody, until all of a sudden you get to figuring out where this is headed. And, then the pinch starts to hurt as far as we are concerned.

Let us suppose Congress, in its wisdom, sets the program eligibility at $1 million for 1991. This saves an estimated excess $1 billion when we get it under budget. What do we do in 1992?

Is it $750,000, $500,000, $250,000, $100,000? Where do we stop?

And, I am not talking about adjusted gross income, I am talking gross receipts, now. How many dollars in sales did you generate before taking any allowed deductions? Think about that.

Another major concern is the impact on farm efficiency. Our Federal farm policies simply play the management problems of the producer like a yo-yo. Get bigger, get more efficient, get more market-oriented. More than any other policy, we have targeting now that will send the signal to the producer that they must manage in a way to remain needy.

In other words, whatever inefficiencies, poor judgment, or fraud necessary to ensure you fit Washington's definition of true farm. We define what a true farm is. We already have targeting. It is called the $50,000 payment limit.

I do not think we need yet another layer of paperwork foisted on the county and county ASCS office staff. Most of our ASCS directors indicate the person determination process is the toughest, most controversial part of their day-to-day administration of the program.

How will this gross revenue, means testing revenue, differ? Will the limit be per farm, person, tax return? I just do not think we are going to solve that.

It will simply be another loophole that keeps large numbers of lawyers on retainers. You are not going to solve the Mississippi Christmas tree by target. If those folks are willfully violating the Farm Program, hiring two-tone shoes lawyers from down South to do it, they are going to do it. I do not care whether it is targeting, or whether it is the payment limitation.

And, finally, let us say something about supply management, Mr. Chairman, and again, I will apologize for going so long.

This Nation's farm policy, unless I have missed something, is to control supplies to improve prices and protect farm income. This, in turn, ensures that the consumers, who are the ultimate beneficiaries of farm programs, have an abundant supply of high quality, reasonably priced food. Because we have said, I do not know how many times, this is a consumer program.

It allows the consumer to spend the lowest part of their disposal income dollars for the best quality food in the history of the world. And, frees up all the rest of the 85 cents, or 86, 87, or 88 cents, for the VCR's, the cars, and Lord knows what else is essential today in a family of four.

Some people forget that nearly 75 percent of this Nation's food and fiber are produced on only 35 percent of our farms. The Farm Program is a supply management program for those folks.

If you shut these guys out, they quit the land they have been idling back into production, they will say, adios to the Farm Program, with all of the environmental mandates, payment mandates, means testing mandate, flexibility mandates and we will be right back in a surplus position, hurting the very farmers that we are supposed to be helping, in regard to the Farm Program on helping the small family farmer.

I think my statement pretty much fits a diatribe, Mr. Chairman, on my concern on means testing and also flexibility. I worry, the administration has a Trojan horse with flexibility for decoupling, and I think means testing could spell the end of the Farm Program, as we have known it. However, I certainly sympathize with the efforts to fit this program under budget.

With that, Mr. Chairman, I will yield, and I am looking forward to testimony of the witnesses.

Mr. **Glickman**. Thank you Pat, very much. I think I need to present one rejoinder, before we go ahead with the hearing.

The predicament we find ourselves in, so that you know, is if we have to save $1.5 billion, and the Budget Committee comes back with that request, if our choice is cutting 30 cents a bushel off the wheat target, across the board, and 20 cents a bushel off the corn target, across the board, or else doing some targeting, then the issue is not quite as black and white as the context my colleague talked about.

And, that may be where we are. There may be other choices, too. One could be to raise the loan rate on wheat $1.50 a bushel. I do not think the administration would like that, but it would end up saving a lot of money.

So, what we are talking about today is, as much as I would like to continue the basics of the current program, and if I had my druthers, I would not even explore this concept. When you are talking about big dollar cuts, you have to figure out who should bear the brunt of those big cuts. And, I guess that is the context of this debate——

Mr. ROBERTS. Would the chairman yield on that point?

Mr. GLICKMAN. Yes, sure.

Mr. ROBERTS. I am delighted that you have finally taken a look at the President's proposed budget, and think it is, for the first time, written in stone. We have been through so many ag budget fights together, we finally get down to reconciliation when the Congress gets serious, and we look at each other and we sort of wince, and we have made some real cuts.

And, those cuts have been to the reconciliation number on what we end up when Congress decides the budget. The President's budget is only the proposal. We do not have to cut the $1.5 billion. The President has recommended spending more on agriculture, but less on the $1.5 billion, in terms of the commodity programs.

That mix is up to us, it is our responsibility to do that. Quite frankly, if we had a spending freeze across the board, as proposed by Gramm-Rudman-Hollings, if we included everybody in we would not have to even mess with this. So, let us get to reconciliation, and then we will figure out if it is an either/or situation, between cutting your target—we are not going to do that. We are going to freeze target prices. We are not going to go beyond that. It is not an either/or shot with that, so much, as it is that we are aiming a torpedo right at the rationale as to why we have had any Farm Program for 40 years.

We have to be careful, before we do that, or the whole ship will sink.

Mr. GLICKMAN. Well, the other side of that coin, and we are not going to get in a total argument before we hear from our witnesses, is in the last 40 years we have seen a massive depopulation of rural America. Kansas has gone from eight to four congressional districts.

And, the whole world has seen everybody leave rural America, Kansas, North Dakota, South Dakota, Nebraska. And, so, therefore, maybe it is time for us to ask ourselves, can our farm policies, as well, be designed to keep people in rural America, and encourage them to come back, as well.

And, maybe there is nothing in what we are talking about to do that.

Mr. **Roberts**. Well, you can buy them a bus ticket, or whatever, but I do not know what that has to do with the argument in terms of supply management. That goes to a welfare program.

Mr. **Glickman**. The only argument is, that if you cut farm programs across the board, and the soul who is out there making $200,000 a year farming is given a cut which is disproportionate, higher than that of somebody maybe 10 times as big, it is more likely that somebody who is 10 times as big is going to be able to afford to stay there, and somebody who is much smaller is going to have to leave.

And, that is what has happened, to a large extent, in farm country.

Mr. **Roberts**. I know. A 6 foot 4 guy can make it, and a 5 foot 2 guy cannot. Let us go on.

Mr. **Glickman**. Alright. We will move on from here. And, we will go to our first witness, Gary Hall.

Gary is the president of the State board of agriculture, and he is here, we were going to have the Governor here at the same time, but the Governor will be here later on. So, Gary, it is a pleasure to have you.

We ask our witnesses to, if possible, try to stay within the 5 minutes. All of your statements will appear in the record in their entirety, completely, fully, all the comments. I promise you that. Everything is in the record, so if you could summarize, it may be helpful for us, in order for us to have more time to ask you questions.

And, what will happen is that at the end of the 5-minute period, when you start, there will be a green light, at the end of the 5-minute period, there is a red light——

Mr. **Roberts**. No shocks.

Mr. **Glickman**. Then if nothing happens, about 2 minutes later the president of the university comes and pulls you out and puts you in the parking lot. [Laughter.]

So, in any event, no, we would just like to ask you to do the best you possibly can to deal with that. So, Gary, it is a pleasure to have you here, and we thank you very much.

STATEMENT OF GARY L. HALL, PRESIDENT, KANSAS STATE BOARD OF AGRICULTURE

Mr. **Hall**. Thank you Mr. Chairman, Mr. Roberts. In view of your last comments with your discussion with Mr. Roberts, let us set the tone in a different way.

We appreciate the moisture you brought to Kansas in a bipartisan method, and we hope, knowing that you two are responsible for that moisture, during the rest of the year we will be calling on you, periodically, to come back to Kansas, in a bipartisan nature, of course.

Before I begin my prepared testimony, Mr. Chairman, I would like to introduce my colleagues in attendance today.

First, Lois Lickhoff from Haven. Lois, would you please stand. Also, Effie Bliss from Lofton, and finally, Altus Feree from Yates Center, and his wife Peggy.

Mr. **Glickman**. We welcome the members of the State board, and we appreciate all the fine help that they do in this State, as well as helping us in terms of farm legislation.

I just might point out, that I guess, when were we in Great Bend, was it early summer or late spring? May 20.

Mr. **Roberts**. I know we had 8 inches of rain, I remember that.

Mr. **Glickman**. But, in any event, your testimony was very helpful. I think it was Lois who testified there, in terms of moving that process along. So, we appreciate it.

Mr. **Hall**. Thank you Mr. Chairman. Also, a person who helps the board out tremendously is our policy analyst, Greg Chrissie. Greg is in attendance, also.

Mr. Chairman, Mr. Roberts, my name is Gary Hall. I am president of the Kansas State Board of Agriculture. I am delighted to have this opportunity to present to you the views of the Board of Agriculture relative to the 1990 farm bill.

As you know, the Kansas State Board of Agriculture is an agency of the State of Kansas charged by statute with many functions. One of those is marketing and market promotion. In that area, the Board of Agriculture has been very aggressive over the past several years in promoting new markets for agricultural commodities in the form of industrial uses.

We appointed a task force of public and private sector individuals. That task force reported to the 1989 annual meeting of the Kansas State Board of Agriculture on this topic. We have held several conferences on this subject, we have encouraged changes in Federal regulations and changes in the statutes to assist in industrial uses.

We will soon be cosponsoring a national conference on industrial uses of agricultural commodities, and this conference will be held March 14 through 16 in Washington, DC, and is intended to bring a national focus on these industrial uses. It is cosponsored by more than 30 organizations, and we certainly invite your attendance and participation.

Specifically in this industrial use area, we would encourage the 1990 farm bill to address this topic as follows, and we have five items:

First, to have a title in the farm bill covering industrial uses of agricultural commodities.

Second, to allow the planting of new industrial use crops without penalty under the Farm Program.

Third, we support federal moneys to be placed in commercializing industrial uses in such a fashion that these can be leveraged with State, local, and private funds to target specific commercialization activity. Allow me to give you an example.

Let us presume that research has shown that wheat starch contains different sized particles than other sources of starch, such that there would be a reasonable potential for the smaller starch particles of wheat to be extracted and used in cellophane to make it degradable.

What is needed is funding from the Federal and public sector to a private company to further develop and tame the technology so that it can be used in the marketplace. Funds would be solicited from Federal, State, local, and private industry to build a consortium to work and commercialize the process and get it to the marketplace as soon as technically and feasibly possible.

Fourth, a national data base of industrial use research work should be created at the National Agricultural Library. There is a great deal of work being done around the world in this area, yet there needs to be one point of reference to tap so that work is not duplicated, but rather can be built upon.

Fifth, national awards should be given to those developing the most innovative new uses of agricultural commodities.

Mr. Chairman, this, of course, is not a new area. In May 1935, a conference of agriculture, industry, and science was held in Dearborn, Michigan to cover new, nonfood uses, new crops, and uses for farm wastes.

In attendance were people such as Henry Ford, Charles Nash, and nearly all leading farm organization figures. They created the Farm Chemurgic Council and pursued new industrial uses for several years.

Going back even further, the Kansas State Board of Agriculture records show that in 1873 it got so cold and trees so sparse that people were burning corn to heat their homes. Yet, our record of accomplishments in pursuing industrial uses of farm commodities has been checkered.

Each new effort has gained enthusiasm and support and then waned as prices improved. We need a long-term commitment to this area to create and enhance new markets for agricultural commodities. It is a good for agriculture, it is good for the environment, it is good for rural development and it is good for the balance of trade.

We urge your support on this issue. Thank you Mr. Chairman, if you have any questions, I would be happy to respond.

[The prepared statement of Mr. Hall appears at the conclusion of the hearing.]

Mr. GLICKMAN. Well, I think you have an excellent point here. Pat, you are the ranking minority member on the Research Subcommittee, there was a good hearing, 1 or 2 weeks ago, talking about a whole assortment of research issues, this is one of the issues that was raised.

It is focusing in on nontraditional use, industrial use. Burning of, for example, corn is one idea that is not used very much, but it has a lot of impact, particularly when we are looking at this whole global warming issue and burning of coal causing increasing carbon dioxide in society.

We have all been interested in alcohol fuels for a long time, and we are finding now, after kind of a slow period, that it is really one of the answers on the clean air issue.

I am hopeful that we will be able to target or earmark a chunk of dollars in this ag research budget for industrial use policy, and I hope that we in Kansas can share in that as well. Both, in terms of Kansas State, and other institutions of higher education as well as the State board of agriculture, because I think you all here have been one of the leaders in the country in promoting this issue of nontraditional use, particularly industrial use.

I compliment you on it. We hope that we can, in fact, get this done. And I am confident, and Pat, being on the subcommittee, may know more than I do, but I am confident we are going to get some dollars earmarked for this and become much more serious about it.

Mr. **Hall**. Thank you Mr. Chairman.

Mr. **Glickman**. Pat.

Mr. **Roberts**. I just want to thank you Gary, for your statement, especially to thank the board for coming, not only today, but what you are doing on a consistent basis, on projects like this.

As Dan indicated, I am the vice chairman of something called the Department Operations, Research, and Foreign Agriculture Subcommittee, what they call DORFA.

We just had a meeting in regard to the vital funds we need for ag research. Just to mention the much maligned budget by the President, he has indicated an increase in funding, in terms of what he would like and the Secretary would like, in this whole area.

I do not think there is probably a place where you can make the line that these expenditures are an investment not a cost fit any better than in terms of ag research.

And, we are going to go ahead, more especially, with your national data base of industrial use research work at the library, and there will be some additional funds.

I am not too sure about the targeting, and that we are going to have funds targeted for LISA, we are going to have funds targeted for integrated test management. The food safety bill that we have introduced, really concentrates on that, as it should.

We have a lot of needs out there, and there are some real prairie fires that are burning right now that we have to take care of, more especially, in the food safety area.

But, this is an excellent statement. I commend you for it, and I think we will see some increased funding in this area.

Mr. **Hall**. Thank you.

Mr. **Glickman**. Thanks, Gary, very much. Tell Lois and the State board we appreciate it.

The next panel is what I call the commodity groups, and I would ask you all to come down.

We have Mark Beringer, with the High Plains Oilseeds, in Kolby; Vail Fruechting, with the Kansas Grain Sorghum Association; Lyle Gray, Kansas Livestock Association; Eric Niemann, Kansas Soybean Association.

The representative of the Corn Growers could not be here this morning, they have just called.

We have Alan States, U.S. Canola Association; Howard Tice with the Wheat Growers; and, I do not know your first name, it is Mr. Schmale, with the Nebraska Wheat Growers Association, and you are replacing Randy Peters.

So, we appreciate very much you all coming down. We will start down here on the right with Mr. Beringer, and then move all the way down this way.

And, again, I ask you, to the extent possible, to try to keep your remarks within 5 minutes, so that we can have a chance to ask some question.

STATEMENT OF MARK A. BERINGER, TREASURER, HIGH PLAINS OILSEED ASSOCIATION, AND MEMBER, BOARD OF DIRECTORS, NATIONAL SUNFLOWER ASSOCIATION

Mr. Beringer. Thank you Mr. Chairman. Before I start my prepared comments, I would also like to introduce a fellow member of the oilseed board who came with us, Mike Shirley, who is president of the association, he is sitting in the back.

I would like to thank him for his efforts in helping to prepare the statement. As you stated, my name is Mark Beringer, I am a treasurer of the High Plains Oilseed Association, as well as on the board of directors of the National Sunflower Association.

It is a real pleasure to present this testimony at this field hearing on behalf of the High Plains Oilseed Association, which has members in Kansas, Colorado, Wyoming, and Nebraska and is affiliated with the National Sunflower Association.

The principal oilseed represented in our organization is sunflower. With Kansas being the sunflower State, it is fitting that I concentrate my testimony on this oilseed.

We have a very young sunflower industry which is concentrated in western Kansas. Acreage in this region has varied between 100,000 and 250,000 acres over the last 5 years.

We see great potential for this crop in the High Plains because of sunflower's adaptation to this semiarid region and increasing markets for a variety of sunflower products.

The biggest obstacle for this crop to expand in Kansas and other parts of the High Plains is the Federal Farm Program. Sunflower cannot compete with Farm Program crops. Despite new flexibility, which in 1988 and 1990, farmers and lenders are not willing to leave the real Federal money lying on the table even though sunflower can show better returns.

Farmers distrust these flexibility programs which promise no loss of base. Sunflower acres go up when the wheat and feed grain ARP's are high, but go down in years such as this when the ARP's are low. Farmers have excess land in their wheat-fallow rotation with high ARP's. This yo-yo effect on production obviously is very negative for building consistent markets.

Sunflower is an excellent rotation crop. Long-term rotation studies indicate that wheat yields can be increased by up to 30 percent when following sunflower.

Sunflower mellows the soil and its deep taproot can break up a soil hard pan. It also decreases weed problems such as cheat grass in the following wheat crop. And it breaks up some of the wheat diseases that have plagued the wheat crop because of continuous production.

The deep sunflower taproot can pull moisture at levels to 6 feet giving the crop the reputation of being drought resistant. More importantly the deep taproot does extract nitrogen from deep soil profiles.

Studies at the USDA facility in North Dakota, indicate that wheat-fallow rotations resulted in a build up of nitrates down to the 10-foot level. But no nitrates show up in a 3-year sunflower rotation with wheat and barley.

Let me mention one more environmental benefit to this native North American plant. We are all familiar with the Oglala aquifer dropping in the High Plains because of apparent over use. According to results at the southwest Kansas branch experiment station in Tribune, Kansas, sunflower yields were greatest with a maximum of three irrigations in one season.

Many growers get by with just two irrigations with excellent yield results. I know many farmers with pivots who would like to put sunflower into a rotation to save water and irrigation costs, but cannot afford to forfeit Federal program payment.

The last part of my remarks will center on the market.

Oilseed demand worldwide is growing at the rate of 4 percent per year, compared to about 2 percent for feed grains and wheat. The recent GATT finding that the EC oilseed subsidies are illegal may provide even greater market potential.

By pushing U.S. oilseed acreage lower or keeping oilseed from equally competing with program crops, U.S. farmers are missing the greatest market opportunities of a large mix of commodities.

Second, the edible or confection sunflower demand is growing rapidly domestically and internationally.

Two processing plants have been built in western Kansas in the last several years and they can sell every kernel they can get their hands on. Prices are profitable but the yo-yo production affect is putting undue pressure on the facilities.

In 1989, one of the largest plants had to contract production in Argentina and ship the product all the way to Colby, Kansas to meet previous sales contracts.

In summary, we are asking that the sunflower be allowed to compete equally with program crops. Do not discriminate. Let me list several areas that need to be addressed in the 1990 farm bill.

First, flexibility is mandatory; second, an income support device is mandatory; third, oilseeds need to be treated equally; fourth, market loans for oilseeds should be workable if a flexibility provision is available; fifth, the American Soybean Association's graduated equity loan program would also be workable if all oilseeds are treated the same; and sixth, the NCA concept could work but should allow for some adjustment for those farmers who have limited payment acres because of their previous commitment to certain rotations.

In closing, sunflower has a great future in the High Plains. It means processing jobs, extra part-time income for farmers from seed sales. It can increase farm income by increasing wheat yields in the rotation and can lower production costs. Give the crop a chance with reasonable farm programs. Thank you.

[The prepared statement of Mr. Beringer appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much. Vail.

STATEMENT OF VAIL D. FRUECHTING, PRESIDENT, KANSAS GRAIN SORGHUM PRODUCERS ASSOCIATION

Mr. FRUECHTING. Mr. Chairman, Mr. Roberts, on behalf of the Kansas Grain Sorghum Producers Association we appreciate the opportunity to present our association policy. My name is Vail Fruechting, I live in Plains, Kansas.

The Kansas Grain Sorghum Producers Association supports the continuation of provisions of the Food Security Act of 1985 and other legislation necessary to:

One, maintain farm income target prices at no less than the higher of the 1989 levels, or the 3-year U.S. average USDA-ERS full cost production per commodity, including land costs, and 15 percent return to management.

Two, establish loan rates that do not interfere with market prices.

Three, allow producers the flexibility of exchanging their bases up to 20 percent.

Four, allow producers to retain their total farm base acres without being required to plant them to any program crops. Base acres should not be lost due to underplanting program crops.

Five, incorporate the following program concepts:

Allow producers the option of proving their program yields or accepting the established county yields;

Eliminate limitation of Farm Program payments;

Prevent decoupling of feed grain payments from commodity payments but support the concept of 0/100;

Continue the haying and grazing provisions of the present program;

Reinstate income averaging for farmers;

Reinstate investment tax credit programs for farmers;

Continue the Farmer-Owned Reserve with storage payments for farmers at the same level as commercial storage;

Treat agriculture equitably with other business concerning capital gains tax laws; and

Make Federal crop insurance an option, but not a requirement, of Farm Program participation and treat farm units which are separated geographically or as irrigated and nonirrigated as separate entities for FCIC indemnities.

Six, manage production programs to ensure production of all commodities needed to fill domestic and export demand but not allow reserve or carryover stocks of more than 16 percent of a normal year's use of U.S. feed grains.

Seven, use the Export Enhancement Program for all U.S. feed grains and with all purchasing countries to assure U.S. export competitiveness and to maintain and expand U.S. market share and to remove all surplus feed grain stocks above 16 percent of a normal years use.

Eight, maintain an aggressive Export Marketing Program through an expanded FAS budget.

Nine, continue current contract sanctity legislation.

Ten, improve grain quality through FGIS standards, based on scientific measures instead of subjective means.

Eleven, complete the CRP signup of no less than 40 million acres, and:

Maintain the sodbuster and swampbuster programs according to the original intent of the legislation;

Conduct a study to assess the effect to surrounding crop acreages from CRP land;

Maintain the CRP land to control insect, disease, and weed problems;

Manage CRP allocation to minimize the adverse effect on rural communities; and

Protect and limit tenant liability when land ownership is transferred.

Twelve, extend Conversation Compliance Program deadlines when plans call for improvements which are eligible for cost-sharing funds and those funds are not available.

Thirteen, protect and assure water quality standards supported by scientific studies, taking into account differences that are unique to each region, and maintain local control.

Fourteen, establish environmental protection programs which are based on unbiased scientific studies which have a fair regard for the importance of agriculture and an honest assessment of the needs of agriculture.

Fifteen, establish and maintain food safety standards based on scientific evidence.

Sixteen, we oppose the reclassification of anhydrous ammonia as a poisonous gas.

Seventeen, promote the use of ethanol fuels made from agricultural products.

Eighteen, continue with rural economic development programs supported jointly by the USDA and State departments of agriculture with direction from local governments.

Nineteen, keep the Food Stamp Program in USDA.

Twenty, give research funding priority to projects aimed at immediate needs, such as:

Cost-efficient production and sustainable agriculture;

New uses and increased utilization of commodities now in production;

Increased competitiveness of U.S. products in world markets; and

Establishment of scientifically proven acceptable levels of mycotoxins and other harmful substances associated with agricultural products.

Twenty-one, we urge the establishment of consumer education programs to be conducted by USDA to educate U.S. consumers to the comparatively low cost of food and to the importance of agriculture to the American way of life.

And, twenty-two, in the interest of providing and maintaining a choice of safer, effective crop chemicals, Congress should support research and technological innovation in the crop protection industry.

They should not change data compensation provision of FIFRA.

They should extend patent life of chemicals to begin when a product is registered.

Before imposing restrictive reregistration standards, there should be an economic impact study conducted.

Congress should aid development of new products and retention of existing products, especially on smaller acreage crops where the recoup potential restricts new research or prohibits reregistration.

Thank you Mr. Chairman.

[The prepared statement of Mr. Fruechting appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you very much.

Next on our list is Mr. Lyle Gray with the Kansas Livestock Association.

Before you start, I want to mention something to the audience that we intend to do. At the end of the hearing, for maybe 15 or 30 minutes, we are going to have what is called an open-mike session where anybody who is not on the list can come up here and tell us what they think should be in this bill. [Laughter.]

You know what I mean.

In any event, we had two hearings in Fargo, and one in Sioux Falls, that turned out to be the most interesting part of the hearing, because we had two or three producers who went through their own financial statements and told us what would work and what did not.

And, we also had a man who gave us an idea on crop insurance that, honestly, we had never heard before. It was a very sound suggestion, so any of you in the audience who wish to wait to the end, we will be glad to hear from you for maybe 15 or 30 minutes, total, at the end.

Mr. Gray, why do you not go ahead and begin.

STATEMENT OF LYLE H. GRAY, PRESIDENT, KANSAS LIVESTOCK ASSOCIATION

Mr. **Gray**. Thank you Mr. Chairman. I am Lyle Gray, president of the Kansas Livestock Association.

On behalf of the Kansas Livestock Association, I want to thank you for the opportunity to present our thoughts and views on the 1990 farm bill. Our association is proud to have two Kansas Congressmen on the House Ag Committee who will play an important role in the development of the 1990 farm bill.

Thank you Chairman Glickman and Congressman Roberts for all your past cooperation. We look forward to working with you in the coming months on this very important issue. I would like to briefly mentions several portions of the farm bill that are of interest to us.

Grain policy; we certainly do not pretend to be experts on the finite details of the USDA grain programs. We will take a look, as we have in the past, at a Feed Grain Program proposal to determine how they will impact the State's livestock industry.

As you know, we are a major user of feed grains. On an annual basis we feed over 4 million cattle, use over 180 million bushels of grain, 8 million bushels of soybeans, and 8 billion pounds of silage and hay.

These statistics do not include the grain fed to our cow herds and stocker cattle. I think you can understand why we monitor any grain policy proposals. Grain programs have an impact on the State's livestock industry.

As a whole, I think our members are fairly satisfied with the grain provisions of the 1985 farm bill. This allowed our grain producers to supply an adequate amount of feed and offer some price protection. It appears to us that a continuation of the current grain programs would be a sound strategy for the 1990 farm bill.

Dairy policy; perhaps dairy policy has been the greatest concern to us over the past 5 years. The buyout and paid diversion programs cost our industry millions of dollars, and we will strongly oppose any similar title in the 1990 farm bill.

It has been estimated that 20 percent of the beef produced in the United States is derived from dairy animals. If USDA pays dairymen to cull their herds, it will likely distort the normal marketing of dairy animals and put pressure on cattle prices.

Our members have a strong philosophical problem with one sector of the cattle industry being subsidized to liquidate and cull herds while the remainder tries to move the product without price subsidies.

If the Nation's dairy herd is too large, the culling should take place on a gradual basis by lowering the milk support price to market clearing levels that are more in line with supply and demand.

Haying and grazing of set-aside acres; I am sure you are aware of the sensitivity on the issue of haying and grazing of set-aside acres. Many of our Kansas farmers and ranchers depend upon haying or grazing of ACR, CUA, and diverted acres to compliment their livestock operation.

KLA supports the current provisions that provide 7 months of haying and grazing for producers who choose to comply and participate in farm programs. Perhaps this 7-month restriction is the best compromise with those regions of the country that disagree on the use of idle acres for haying and grazing purposes.

High-moisture grain; in recent years, the Kansas Livestock Association has aggressively sought more flexibility in the Commodity Credit Corporation loan programs for producers who harvest corn and grain sorghum in a high-moisture stage.

In the past, our producers would verify production through scale tickets, receive a recourse loan and immediately pay the loan back with CCC-6 certificates. This was commonly referred to as "PIK and roll," and it allowed eligible producers to harvest their crop in the high-moisture stage and still participate in the CCC loan program.

In the past, USDA has been very reluctant to initiate this program. We would hope this committee would give clear direction to the Department on this matter when you finalize the 1990 bill.

Means testing; it has come to our attention that discussions are underway to enact a threshold in the 1990 farm bill to eliminate payments to farmers that exceed a certain size category. The administration's budget suggests the Farm Program payments be eliminated for farm operators with adjusted gross incomes of over $100,000 per year or gross sales in excess of $500,000.

We recognize the need to cut Federal spending and that agriculture should do its part to help solve the Federal budget/deficit crisis. However, I think there are some basic questions that need to be asked on the means testing issue.

A $500,000 gross sales limit will catch a large number of Kansas farmers and ranchers. It would only take the sale of 580 fed steers for a farmer feeder to be eliminated from Farm Program benefits.

We are trying to obtain more complete information on the adjusted gross determination but it appears this will impact many modest size grain producers who are diversified with a livestock enterprise.

Our office has received several calls during the past weeks on $2 million gross sales threshold in the 1990 drought bill. One person had a wheat operation and was a livestock dealer. His wheat crop failed but he received no benefit from the drought payments because his cattle business was counted in the gross sales.

We have not studied this issue in detail nor adopted any formal policy position. I see the means testing issue as very sensitive and one of concern within our membership. I hope this committee will study it closely.

Again, we thank you for the opportunity to present our thoughts on the 1990 farm bill. We realize you have a very challenging assignment as you try to set ag policy for the next 5 years and meet the budget restrictions required by law.

We simply ask that you make the programs as fair as possible and do your best to minimize any negative impact to Kansas producers, particularly in the livestock industry.

Thank you.

[The prepared statement of Mr. Gray appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you Mr. Gray. Good statement. Mr. Niemann, Kansas Soybean Association.

STATEMENT OF ERIC A. NIEMANN, PRESIDENT, KANSAS SOYBEAN ASSOCIATION

Mr. NIEMANN. Thank you Mr. Chairman and Mr. Roberts.

Good morning. I am Eric Niemann from Nortonville, Kansas where I farm soybeans, corn, and wheat, and a have cow-calf operation. I am here today as president of the Kansas Soybean Association.

Soybeans are the fourth most valuable crop in Kansas and represent more than 10 percent of the State's total crop receipts for 1989. Last year, Kansas farmers harvested 50 million bushels of soybeans on 1.9 million acres. Our crop had a cash value of $265 million.

Soybeans have been an important crop to Kansas farmers because they help farmers spread risk and diversify. We see tremendous potential for soybeans in the future as a result of recent developments in Eastern Europe and the Soviet Union.

We also believe that a national checkoff—sponsored by you, Mr. Chairman, and which we are eager to see enacted—will create more new opportunities for soybeans both in domestic use and throughout the world.

However, we are concerned that U.S. farmers will not be in position to profit from the growing opportunities because of rigid Government programs that favor program crops and limit our planting choices. We are frustrated that our competitors in South America will be reaping the benefits while we get left behind.

Since 1979, foreign production of soybeans has increased steadily by an amazing 75 percent. At the same time, U.S. production has declined 17 percent. Our foreign competition adds 1.3 acres for every acre the United States cuts.

We believe the Congress must act now to reverse these trends. If we wait until the next farm bill is written in 1995, we may have waited too long and lost a valuable opportunity to reverse U.S. acreage loss, and discourage more foreign expansion.

By making the U.S. Government the buyer of last resort, at a guaranteed price in the event of soybean surplus, current domestic farm policy encourages foreign soybean production.

We remove surplus from the market to support the prices. This guarantees foreign soybean producers a price floor and a safety net against low prices. Meanwhile, the U.S. Government builds soybean stocks, and then profits by selling them when prices eventually rise.

I participate in the wheat and feed grain farm programs. But I also see the Government programs for these and other commodities contribute to the decline in U.S. soybean production.

Although market prices signal a shift to soybeans, the more attractive returns from other crops because of Government programs outweigh the market signals. It just does not make sense economically to change to soybeans.

Farmers also do not want to lose their base acreage, so we continue to plant for the program. Foreign producers, however, can and do respond to soybean market price incentives by expanding acreage and production.

Soybean farmers in Kansas believe a graduated equity loan program for soybeans can turn the situation around. We have worked with farmers across the country to develop what, we believe, is a fair and economically feasible solution to the problems we face.

The GE loan program is built on a foundation of income protection and planting flexibility. A program for soybeans must include both. It provides farmers with an incentive to grow soybeans in response to the market and puts soybeans on more equal footing with other program crops.

It also places foreign competitors at a greater risk by removing the price floor set by the current loan program.

Under the GE loan program, farmers would be eligible for a loan based on target prices and Acreage Reduction Program levels for corn and cotton. The percentage of the farmers eligible for the loan would vary, based on stocks levels. When stocks are high and prices are low, a larger portion of the farmer's production would be eligible.

However, when stocks are low and prices are high, farmers would not need as much protection so that a smaller percent of production would be eligible for loan. A portion of the farmer's crop would always be at market risk.

Farmers could repay the loan at the lower of the posted county price or the county loan rate. To avoid Government stockpiles, farmers would give up the right to forfeit their crop as payment of the loan. Since the Government would never own soybeans, farmers—not the Government—would profit from price increases.

With a near perfect soybean crop in South America, farmers in the United States are looking at low-range soybean prices for the year ahead. Many soybean farmers in Kansas and other areas experienced limited production of soybeans in the past 2 years due to weather-related problems.

Farmers facing low prices, and low yields need a program that will help them through these difficult times.

At the same time, we need some flexibility in planting that will allow us to rotate crops for the best use of our land. We need some freedom from the threat of losing our bases.

We believe that the graduated equity loan will make it possible for us to continue farming soybeans by providing both the income support and planting flexibility that we need. This is a program that will benefit farmers both in Kansas and around the country.

We believe changes must be made in farm policy that create a more level playing field, that give soybean farmers a chance to compete with producers around the world. We believe the graduated equity loan would provide us with that opportunity.

Mr. Chairman, we look forward to working with you and members of the committee in finding solutions to the problems we face. I appreciate the opportunity to be here today.

[The prepared statement of Mr. Niemann appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Niemann.

Mr. States, with the U.S. Canola Association.

STATEMENT OF ALAN E. STATES, SECOND VICE PRESIDENT, U.S. CANOLA ASSOCIATION

Mr. STATES. Good morning, Mr. Chairman, Mr. Roberts. I am Alan States, a wheat, sorghum, sunflower, and canola grower from Logan, Kansas. I am appearing today on behalf of the U.S. Canola Association, which I serve as the second vice president.

Let us talk about the farm bill. The 1985 farm bill went a long way toward addressing the problems of the previous bills. It is not truly a supply management program, nor is it really a price support program. It is a transitional income support program.

It protected the income of farmers with target prices and deficiency payments. It encouraged the sale of production by lowering loan rates to levels below market prices and it got rid of surpluses with the PIK.

It has been attacked because it was too expensive. But I would argue that it was not the 1985 Farm Program that was expensive. It was the 1981 farm bill, with its high nonrecourse loan that allowed the building of surpluses, loose rules that allowed the building of bases and yields, and the resulting loss of market share, that was expensive.

The 1985 farm bill was only expensive it the first few years because it paid for the sins of the 1981 bill.

All in all, the 1985 bill is a good bill and I congratulate you for your efforts and your success.

However, the 1985 bill has two major flaws. It lacks flexibility and it is not crop neutral.

Just a few years ago, the United States was the largest exporter of oats in the world. The price of oats went to $4 a bushel, and still, planting fell and the United States imported 65 million bushels of oats.

Just a few years ago, the United States produced 5.5 million acres of sunflowers. This last year it produced only about 1.5 million acres of sunflowers. We have just been told that the Kansas confectionery sunflower plants had to import seeds from Argentina in order to meet their contracts.

What went wrong? The current farm bill does not let market signals pass through to farmers. Production is locked in historical patterns based on past plantings and yields. The planting of alternative crops, such as canola, is discouraged.

The 0/92 provisions were a step in the right direction. Farmers who underplanted suffered only a small loss in deficiency payments and their bases were protected. It has been a very popular provision, even though farmers got wheat deficiency payments for not planting wheat, sorghum deficiency payments for not planting sorghum.

Farmers need that sort of flexibility to address weed and disease problems, weather and climate changes, technological advances, environmental and conservation concerns as well as to respond to changing market conditions.

In order to achieve the full flexibility that farmers need, some form of substitution must be allowed. I would suggest that any concept, such as the one using Normal Crop Acres, would be workable if it met two tests.

One, growers must be allowed, without restriction, to plant any program crop, oilseed or other crop that is not specifically restricted as long as the grower complies with an Acreage Reduction Program that may be in effect for his historical crop.

Two, growers must receive full deficiency payments based on their historical bases without regard to what crop is actually planted or underplanted.

The importance of passing both of these tests cannot be underestimated. Currently farmers are allowed to substitute sunflowers or conola on 25 percent of their bases. However, due to the loss of deficiency payments the substitution will not occur even in the face of falling wheat and feed grain prices.

The current law is definitely not crop neutral as evidenced by the situations that have occurred with regard to oats and oilseeds.

Another area of concern that must be addressed is crop insurance and disaster aid. The current crop insurance program is not workable. The disaster aid proposal of the administration has some major flaws. Specifically, it is based on a county by county designation.

I have included in my written comments a plan which I call a self-help investment-insurance plan that would allow farmers to build up insurance and cash reserves for use in case of disaster.

I believe that it would provide better protection for individual farm income than the current MPCI Program, and at the same time it would cost the Treasury less than either the current subsidized Crop Insurance Program or disaster aid.

Mr. Chairman, that concludes my comments. I thank you. Are there any questions.

[The prepared statement of Mr. States appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you. I also want to say, we will get to it by question. You have proposed a very interesting program, essentially using the tax code as a way to build up reserves, in a way we do it in so many other areas for disaster purposes.

I want to talk about that during the question period.

Howard Tice. I appreciate your being here, and appreciate all the good work you do for Kansas Wheat Growers.

STATEMENT OF HOWARD W. TICE, EXECUTIVE DIRECTOR, KANSAS ASSOCIATION OF WHEAT GROWERS, ON BEHALF OF BOB DEYOE, PRESIDENT

Mr. TICE. Thank you Mr. Chairman, Mr. Roberts.

My name is Howard Tice. I am executive director of the Kansas Association of Wheat Growers, and on behalf of our president, Bob Deyoe of Ulysses, who was unable to be here today, and our membership, I thank you for the opportunity to present our views.

The farm bill, of course, is a many faceted piece of legislation, so in my printed testimony I covered the various issues in the same order that our delegates at the annual convention addressed them in our official policy resolution.

Today, I am going to speak to basically four major points.

First and foremost, our members feel strongly that the 1985 Food Security Act has worked well, and that its basic structure should continue in force, as the basis of the 1990 farm bill. But, some fine-tuning is in order. The four points:

Flexibility. That is one of the key words in the farm bill debate, even the best farmer managers can be better if they are allowed to be. The use of best management practices, including better crop rotations, allows the farmer to be more efficient and get the most return from input costs.

It also allows the producer to react to changes in market conditions and consumer demand. Best market practices also include some soil and water conservation measures that are impossible to incorporate under current farm programs, because of restrictive crop base histories.

I am going to depart from the print here, for just a moment to remark that environmental activist groups have accused farmers of not doing enough in the way of crop rotations. Many of these things we would like to do, but we cannot because of the restrictive base practices.

And, also on the flexibility thing, it cannot be wide open as you referred to earlier, Mr. Roberts, because of the fact that we cannot get away from the supply situation, supply management. So, there have to be best management practices applied in order to make it viable.

The KAWG opposes any further reduction in target prices levels, to keep the program from becoming ineffective as protection of farm income. Future levels should be set at no less than the cost of production as determined by the Federal Government's Agriculture Cost of Production Standards Review Board.

The formula for determining target price levels should also include a specific fair value of the farmers labor and management. The KAWG further recommends deletion of the sunset clause which would terminate this board. In other words, we put it into effect, let us use it.

Political realities suggest a shift away from the crop disaster programs. Now, there are good arguments in favor of disaster programs. The Nation's food supply is its most important resource and must be protected.

The cost of food is also important to the voting public. So, an abundant supply must be assured. In order to do that farmers must be kept in business and an adequate amount of crop land must be kept in production.

In addition, food exports are a vital link in our balance of trade. So, it is in the best interest of the Nation to maintain a production level substantially in excess of domestic need.

Public skepticism makes disaster programs, though, an unreliable method of protection. What may be a disaster to a small area, may not generate enough public or political support to merit a Federal response. If a disaster affects a large enough area, budget constraints may cause the assistance to be spread too thin to be effective.

On the other hand, current crop insurance programs are not adequate. They are difficult to understand, costly to administer, and attract too few participants to be actuarially sound.

While most people understand it is not possible to have a program where everyone receives more in benefits than they pay in premiums, if a program is to be viable, producers must be able to purchase adequate levels of protection at affordable premium rates.

At the same time, the program must be made more understandable. Coverage based on dollars which protect fixed and variable costs are much more desirable than complicated formulas involving ASCS yield averages and base histories.

If the program requires Federal subsidies to make it affordable, we feel that it can still be less costly than disaster programs, if properly administered and structured to produce maximum producer participation.

Several years ago, food stamps were added to the farm bill in order to attract enough urban votes for passage, and the 1985 environmental issues filled the same role, really. We expect that 1990 will not only continue that trend, but that water quality and food safety issues may well dominate the dialog.

All we ask for is scientific research and common sense to be given a higher priority than unreasoning emotion. Technological advances have taken us in a quantum leap from measuring compounds in parts per million, to parts per billion and parts per trillion.

What used to be considered zero contamination is now a few parts per billion or trillion. Now, that does not mean the compounds have suddenly become more dangerous; it only means we can measure smaller amounts. It still takes a toxic dose of any substance to be harmful, whether that substance is a pesticide or table salt.

Agriculture has made enormous strides in the formulation of compounds and application methods, toward reducing the amount of crop protection products needed to assure an abundant and safe food supply. Modern herbicides are applied in amounts as small as one-tenth of an ounce per acre. Soil testing methods are much better as well.

News media sarcasm notwithstanding, farmers are the original environmentalists, and we just simply ask the Congress, and the environmental groups to use a little bit of common sense and scientific fact. Thank you.

[The prepared statement of Mr. Tice appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Howard. A good statement, and your entire statement will appear in the record. I appreciate your summarizing it.

The last witness on this panel is a resident of the State just north of us. I see he is wearing his Big Red, Nebraska pin. Are you from Virginia Smith's district.

Mr. SCHMALE. Yes, I am.

Mr. GLICKMAN. Well, we are delighted to have you down here, and we hope that in addition to giving us farm advice, you may be able to give us football advice. [Laughter.]

STATEMENT OF DOUGLAS L. SCHMALE, VICE PRESIDENT, NEBRASKA WHEAT GROWERS ASSOCIATION

Mr. SCHMALE. Thank you, Mr. Chairman, Mr. Roberts. I am Douglas Schmale, a wheat producer, and a vice president of the Nebraska Wheat Growers Association.

To farmers, target prices will be the most important part of the new farm bill. Since 1986 the target price of wheat has decreased 38 cents per bushel, a drop of nearly 10 percent.

The current target price of wheat, $4 per bushel, is the minimum which will adequately protect farm income and the economies of rural towns. For 1991 and subsequent years of new legislation, the target price should be increased at the same rate that the cost of production increases.

We recognize that budget pressures will make this difficult. However, if we are going to be affected by budget cuts, especially percentage cuts across the board, it is only reasonable and fair to start with target prices that are realistic, rather than ones that are initially too low.

Similarly, target prices must be paid on a reasonable number of acres. To distort income protection by not paying on the full number of permitted acres amounts to nothing more than a lowered target price.

Turning to loan rates, we would urge that the 1990 farm bill repeal the Findley amendment and raise the loan rate on wheat to at least $2.44 per bushel. Again, looking at reasonable and fair numbers, if we cannot establish an agricultural policy that allows for at least this loan rate, realizing that the cost of producing wheat is even higher, then what is the future for American farmers?

Nearly as important as target prices, a reasonable level of ending stocks is absolutely essential in maintaining farm income. This is especially true if income is to be realized from the marketplace rather than from Government subsidies.

This can be shown by statistics from 1986 and 1987 when carryover levels and deficiency payments were very high, as opposed to data from this past year when both carryover stocks and deficiency payments for wheat were much lower.

Because of the importance of the aforementioned relationship, we strongly feel that the 1990 farm bill should include a specific goal of wheat ending stocks not exceeding 20 percent of the preceding marketing year's total disappearance.

Currently, this would amount to wheat ending stocks of approximately 450 million bushels. We feel the Secretary of Agriculture should be accountable for and report annually to Congress on achieving this goal.

Of these ending stocks, 300 million bushels should be isolated from the marketplace in a Farmer-Owned Reserve. This Farmer-Owned Reserve should serve as a true Food Security Wheat Reserve, subject to release only at a price exceeding 120 percent of the target price.

Recognizing the importance of reasonable ending stocks, it is imperative that the 1990 farm bill continue the use of acreage set-asides as a mechanism to balance the supply and demand of wheat. Acreage set-asides provide surplus capacity that can quickly be utilized to meet increases in domestic or export demand.

However, set-asides maintain this surplus capacity in a form which does not depress market prices and farm income. If reasonable and effective acreage set-asides are not maintained, this surplus capacity will quickly result in excessive ending stocks of wheat, depressing market prices, and increasing Government expenditures.

We are strongly opposed to the 1990 farm bill allowing producers to overplant their permitted acres in exchange for a reduced payment. This will simply result in overproduction which will be damaging to all producers. The current 105 percent set-aside for wheat has been widely criticized in wheat producing areas for precisely this reason.

While many wheat farmers have very restricted cropping alternatives due to climate, it is desirable to allow farmers to try to adjust their mix of different crops in response to market demands.

To achieve this, while still retaining the target price and set-aside components of the current bill, we would urge that the 1990 farm bill be based on a Normal Crop Acreage concept.

Using this, each farm would receive a whole farm base computed from historic bases and plantings. Within this base a farmer would be free to plan any mix of program crops and receive deficiency payments on them, provided that he met set-aside requirements.

For example, given a 1,000 acre whole farm base, a 10 percent acreage reduction percentage for wheat and a 5 percent ARP for corn, a farmer could plant any mix of wheat and corn acres provided that for each 10 acres of wheat 1 acre of ground was set-aside. And, that for each 10 acres of corn, one half acre of ground was set-aside.

No crop could be harvested from these set-aside acres. If nonprogram crops were desired, they could be substituted for program crops if the same acreage set-aside were met.

Also concerning flexibility we would like to offer these additional comments, and if any ideas are remembered from this testimony, please let it be these.

Farmers do not support nor do they want decoupling. Farmers do not support the United States position at the GATT because it leaves decoupling as this country's only farm policy alternative. To decouple payments from production, and eliminate set-asides, will result in an oversupply of grain that will be devastating to the agricultural economy.

If the budget process can barely maintain a 90 cent payment for wheat this year, how could we possibly maintain an adequate payment if stocks once again rose and prices once again fell to the disastrous levels of the mid-1980's.

My previous comments have focused on farm income. Included in my written comments, we have addressed clean grain, and crop insurance.

I would be happy to answer any question.

[The prepared statement of Mr. Schmale appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much for that excellent statement, and I want to say this has been an excellent panel. I have a couple of questions and a couple of comments.

First of all, Mr. Gray, I want to assure you, KLA and everybody else, that Pat and I sparred a little bit about this whole issue of means testing, but we are not going to do anything without real careful thought. And, we are also not going to do anything to jeopardize Kansas farmers.

I would point out that in the 1985 farm bill Congressman Stangeland, and I and others, and Pat, I think was involved in this too, maybe you were the coauthor of it, maybe you do not want to talk about that anymore. [Laughter.]

But, anyway, we offered an amendment to the bill that would have a marketing loan on wheat and feed grain, coupled with basically a two-tiered target price system. At that time, I think it was $4.40 a bushel on the first 20,000 bushels of wheat, and $4 a bushel for anything over that. Am I describing it accurately?

Mr. ROBERTS. I think you are accurate. I had the targeted loan, you had the amendment on two-tier.

Mr. GLICKMAN. Well, they were put together, as I recall. The point is that if you are dealing with a constrictive budget, well, we have a lot of choices.

One of them is to do what Mr. Schmale talked about, which is to pay a target price on a reduced number of acres. You are not for it, I know that. What I am saying is that you mentioned it as a possibility which could lower farm income.

One of them is to raise loans rather significantly, which I think maybe the next panel will be interested in talking about.

And, one of them is to try to maybe reduce targets on those that may be of either certain size, or bushels, production.

Maybe you have the first bushels at a higher target price, the next bushels at a reduced target price down, or one way is to put some sort of a cap on there. And, we do have a cap on the Disaster Program. As you point out, $2 million to be eligible for it. That was necessary to get the bill through the House.

We will look at all the options. It is the best that we can do.

And, no prejudgments right now, except, I think it is worthwhile, notwithstanding the fact that a lot of the administration's budgets have not been passed in their entirety, it is worthwhile to examine all the options, to make sure that what we do, I think, promotes a good social policy goal, which is to preserve middle income, family sized agriculture the best we possibly can. But, we will do it in the context of what you are talking about.

I would point out that the Kansas delegation has been very supportive of the KLA's position on the Dairy Diversion Program, we have taken some hits on the House on that one, and a few other things. But, we appreciate the impact that you all have in this State.

Mr. States, your idea on crop insurance, or disaster protection, is very interesting. Basically you set up a reserve where farmers can contribute, essentially, I assume, like an IRA almost——

Mr. STATES. Almost like an IRA, yes.

Mr. GLICKMAN. Moneys to go into a reserve account, and they would probably get a deduction, I presume. And then if they pull it out, whenever they pull it out for disaster assistance, they would basically pay income taxes on it, but it would defer their income.

I think that is a fascinating idea. The only down side on that I would see is that you have a lot of producers who do not show any income, or do not have any income. So, what do you do with the lot of people who are not making any money? How would they participate in something like this?

Mr. STATES. In exactly the same way that they would participate in crop insurance. They would contract to set aside 5 percent, or 7 percent, whatever their crop insurance would cost to put into that fund, and if that fund had not been built up quite enough, then they could borrow against that fund if they had a disaster.

But instead of being contracted into crop insurance for 1 year, they would be contracted in as long as they farmed to rebuild their personal——

Mr. GLICKMAN. I guess my point is, what if they could not afford to make the payments? Their cash-flow was so bad they could not do it. Then what happens?

Mr. STATES. What would they do in the current program, if they could not afford insurance payments in their situation? If their cash-flow is that bad, they have a problem anyway. So, you may want to socially make a decision to support that type of farmer, you would have to socially decide to have a subsidy.

Mr. GLICKMAN. I understand. I think it is an interesting idea. It may be something we want to pursue in a supplementary fashion with whatever crop insurance proposal we have come down.

My feeling is, we will continue crop insurance in some form, because the administration's proposal is one that basically requires a countywide declaration of disaster. I have now determined that most claims on crop insurance are made by farmers who are not in a large disaster declaration. So, the proposal would not help most people.

Theirs is a little like buying fire insurance on your house, but the whole county has to burn down before you could collect it. And, that does not make a lot of sense, from a practical point of view.

But, one of the things I think our colleague, Congressman Glenn English, who chairs the subcommittee is thinking about, is making folks eligible when they sign up for the Farm Program, eligible for a nominal amount of crop insurance that applies to everybody. Like, maybe 50 percent coverage that you just get as part of the signup, then you would buy anything above and beyond that.

I do not know if we will go down that road, but your proposal could be an adjunct to that. You could permit people to contribute into a reserve, kind of like banks do for losses, or whatever else.

I think it is a very interesting idea, and we will see how we develop it.

I would like to ask soybean, oilseeds, and canola people to comment. The soybean people commented on this graduated equity loan. Are you envisioning that all the oilseeds, including canola would be eligible for that, or is that just a soybean only situation?

Mr. Niemann. Right now it is soybean specific, the way it has been drawn up.

Mr. Glickman. How do you feel about including sunflowers, canola, and all the other oilseeds in there?

Mr. Niemann. I think different regions of the country, some of those other crops would be targeted more toward different regions. In my particular case, and in the Corn Belt, I think that corn and soybeans compliment each other, and that is really the issue that we are looking at.

Mr. Glickman. But, you could argue that if you excluded other oilseeds, like sunflowers, they would be in there without any program whatsoever, and conceivably you could again discriminate against one oilseed by not giving it a program.

I just want to be careful. I am intrigued by this graduated equity proposal. But, if we go down that road, we have to make sure that we do not create further disparities in choices between crops, because similar crops are not included and you end up with some of the same problems. I wonder if you would agree, Mr. Beringer.

Mr. Beringer. Yes, we in the Sunflower Association, we feel that the loan program is very viable, but we feel, like you say, all crops can be treated the same. All the oilseeds would have to be treated the same, too.

Mr. Glickman. I think we are going to do something in the soybean area, but I want to make sure that we do not discriminate against some other crop.

I want to talk, for a moment, about—go ahead, Mr. States, you were cut off.

Mr. States. As far as canola, I grow sunflowers also, I think that anything that we do with the soybeans, or any oilseeds, we have to lump them together to treat them fairly. What we do not want to have happen is to be discriminated against. We just want a fair shot, whatever that is. Whether it is normal crop acres, whether it is a graduated equity loan, whether it is target price and a deficiency payment for soybeans, we simply need to be treated in a similar manner. Thank you.

Mr. Glickman. I think that is probably what we will end up doing, because I do not want to have the same kind of problem we did in the 1985 bill, with corn and soybeans, continued on the 1990 farm bill, as it relates to the oilseeds.

Now, on the issue of flexibility, Howard, I think you make an excellent point. But, one thing that strikes me about it is, flexibility is an issue we will incorporate in this farm bill in some capacity.

I tend to agree with you and Pat Roberts, that it is not going to be the total open-ended program, because I think that the taxpayers of this country would have problems with the program as it comes down from the administration, which says you will have total flexibility and you will also get a deficiency payment on what you could have planted but did not, but you can go ahead and plant your other crop and collect on it as well.

It is going to look like it is too good to be true. And, it also will work to the detriment, conceivably, of the wheat producers, because there is not a lot of choice in certain parts of this country, western Nebraska, western Kansas, and the Pacific Northwest.

The one thing, though, I do think is this, at some of our other hearings, particularly in corn country, we learn, regardless of what we do with flexibility, if the target prices are not adequate or reasonably in line with each other, flexibility is not as significant of an issue.

That is, people will continue to plant crops for the target price if they are skewed with each other. And for example, if we continue a corn target price at current levels, no Soybean Program and full flexibility, people probably will continue to plant soybeans, anyway.

Maybe not as much as they are now, but significantly so. We have the 0/25 program, as you are aware, on corn and soybeans, and we are not getting lots of additional soybean production. A little bit.

Mr. **Niemann**. You mean they will continue planting corn.

Mr. **Glickman**. Yes, I am sorry, they will continue planting corn. So, therefore, we have to make sure that, if we are doing flexibility, that we have to look at target prices, as well, and make sure that they are kept in line, and for sure, that they are not reduced.

So, I do not know where we are going to be on target prices, one of the options to this whole issue of means testing is to raise target prices on certain bushels of production, and then to lower them on greater bushels of production.

Now, that has some of the same problems, in terms of leaving the dock of supply management, and it may also skew planting decisions as well, but it is another way of trying to deal with the budget problem that we are facing.

So, all of your testimony has been excellent. I appreciate it very much, and we will look forward to reading them more carefully as we get into writing the farm bill, itself.

Mr. Roberts.

Mr. **Roberts**. I want to thank the panel.

And, Vail, I have made a summary here, of your proposals, which were listed as 29, but if you add up all the A's, B's and C's, it adds up to 43. I am in favor of 41 of them, and I have not really made my mind up on the other two. That is a better record than the K basketball teams, all right? [Laughter.]

Certainly a better record than K State, but I should not have said that.

And, Alan, I want to thank you for your work, not only within the U.S. Canola Association, but also, as the chairman has indicated in reference to crop insurance, Mr. Chairman, he sent in this proposal to Senator Dole and Senator Kassebaum, and to myself, and I am sure to your office as well, some time ago.

It is an interesting concept—and more particularly when the Secretary of Agriculture has pulled the pin on the crop insurance grenade, and simply let it sit there in the House Ag Committee—and it is our responsibility. We have to be accountable, although we seldom like to do that.

So, we are going to have to quit talking about either or in terms of disaster and crop insurance. I do not want to get into my crop insurance disaster speech here, but we both know that if the conditions are right, there will be a Disaster Program, or especially during the even numbered years, and——

[Laughter.]

Second, we know that most of our producers have complained about the Crop Insurance Program, but they certainly do not want to get rid of it. And, so we are going to have to, I think we get into this either or argument too much, and we need some real innovative ideas, along with the Commission's report. Alan, you have done a very good job.

I think at this point, I had round four on this means testing and flexibility, but I think in the interest of time, we will save that. So, I want to thank the panel.

Mr. GLICKMAN. Thank you all, very much. Excellent testimony.

Next panel is basically our State farm organization panel. Well, we have just an excellent panel with a couple of different folks.

We have Leroy Bower, the State president, National Farmer's Organization, and Vernon Deines, State director, Marion County president, Kansas Farmers Union.

Jim Rice, national delegate, American Agriculture Movement. Mel Thompson, producer, Kansas Farm Bureau.

Nancy Spiegel, State president, Women Involved in Farm Economics. And, Doug Wildin, producer, Hutchinson, Kansas. So, we would ask you all to come down in the front row, and I think they are going to start over there from the right.

We appreciate your testimony, we will start with Mr. Bower, then we will go down the list. Mr. Bower, Mr. Deines, Mr. Rice, Mr. Thompson, Ms. Spiegel, and Mr. Wildin. Again, we ask, to the extent possible, that you try to summarize within 5 minutes.

We appreciate your being here. Mr. Bower.

STATEMENT OF LEROY BOWER, PRESIDENT, KANSAS NATIONAL FARMERS ORGANIZATION

Mr. BOWER. Thank you Mr. Chairman, Mr. Roberts. I am Leroy Bower, president of the Kansas NFO. I am a diversified farmer near Pittsburgh, Kansas. I grow wheat, corn, soybeans, milo, and have 40 head of beef cows.

I want to take this time to personally thank you and your fellow committee members, on behalf of the National Farmers Organization of Kansas for holding this hearing.

This committee will have the job to literally determine the values and future of agricultural production in rural and agricultural areas of this great country.

Since it has been quoted 1 million times, that the 1990 farm bill will be similar to the 1985 farm bill, let us look at the 1985 bill.

It has been the most costly farm bill in the history of farm programs. At the end of its 5-year life, it will have cost in excess of $80 billion.

This compares to a cumulative cost for all farm programs of $125 billion from the 1930's through 1985. Loan rates for various commodities are now about 40 percent below current world prices.

Farm income must be raised, so farmers will have the ability to buy needed machinery and supplies to bolster the entire economy. Farmers need a respectable standard of living, decent housing, and be able to provide a health insurance program for their families.

Higher incomes would generate credibility to the Farm Credit System and relieve farm debt pressure on the rural banking system. Higher grain prices would help to eliminate our import-export balance of payments deficit.

Agriculture, without a doubt, is the biggest industry in this country. With farm prices more in balance, with other areas of the country's economic society, it would create an atmosphere of prosperity domestically that could well offset the economic downtrend that is inevitable with the decline in defense spending, and it would not need to be done on borrowed money.

I am sure many legislators fear overproduction, this can be controlled by a supply management system by raising and lowering allotments. We constantly hear of starvation in various areas of the world, while we in the United States have an abundance of food. We need to learn to share with these people rather than subsidize wealthy nations.

By rejuvenating Public Law 480, it would have the effect of lending humanitarian credibility to the United States over the world.

In writing the farm bill, first, let us apply the KISS rule, Keep It Straight and Simple. We want to freeze target prices and increase loan rates roughly to levels prevailing in the years of 1986 and 1987 of the 1985 farm bill, to sustain farm income and reduce the drag on the U.S. Treasury.

Such loan rates would permit export sales within prevailing world market prices. Remember, loans on commodities are just that, loans, which are paid back in the U.S. Treasury with interest, so they really cost the Government nothing. Farmers should have the opportunity to extend the regular 9-month marketing loans for 1 year whenever markets are weak.

Eliminate the use of generic certificates and reinstate minimum sales prices for CCC-owned commodities moving back into the domestic market. This would permit proper functioning of the price support program at reasonable cost.

The PIK certificates were undoubtedly the major factor in holding down market prices, even as our inventories were depleted and our graineries were emptied following the 1988 and 1989 droughts. Prices did not respond as they had in past years when our inventories were reduced to similar levels.

Switch from an acres base to bushels or pounds in setting farm bases and production goals. This would reduce the pressure for planting to maintain bases, with heavy fertilizer and chemical applications to boost production on a restricted acreage.

Correct the relative relationship of the price supports levels between the various commodities, for example soybeans should be supported at 2½ times the support level for corn.

We must respond to some of the environmental demands while carefully utilizing modern technology. First and foremost, farmers are environmentalists. They plant, plants grow, and do their thing with making the air we breathe cleaner.

Second, farmers are not chemists, at least, I am not. Farmers can not afford to be reckless with our environment, we live and raise our families here.

It is the responsibility of the chemical industry to provide safe chemicals, be it herbicides, insecticides, or fertilizers that will breakdown, self-destruct or be compatible with the environment that they are placed in.

University Extension Services would also have the responsibility to educate farmers and make recommendations of the right uses of chemicals that are not harmful to our environment.

In the past, Federal crop insurance has been a poorly administered program, not only in setting premiums, but in adjusting claims. Premiums are high for the amount of coverage.

Risks are great, is why we have not had the insurance industry involved. We believe some form of coverage should be made available as a risk management tool.

Farm programs before the 1980's had provisions for disaster or low yields built into the act. We would prefer a disaster provision as a permanent part of the farm bill as compared to working a disaster aid thought Congress for each disaster.

I guess, in summary, my time has run out. So, I will close, now. Thank you.

[The prepared statement of Mr. Bower appears at the conclusion of the hearing.]

Mr. ROBERTS [acting chairman]. Thank you, Leroy. Moving now to Mr. Jim Rice, the national delegate of the American Agriculture Movement, of good old Liberal, Kansas, America.

Mr. RICE. That is the place.

Mr. ROBERTS. Where we are going to expand Highway 54, so we can go——

Mr. RICE. I certainly hope so. We are right in the middle of everything and it is about 400 miles to anyplace. Anyway, I appreciate the opportunity to speak to you this morning.

STATEMENT OF JIM RICE, NATIONAL DELEGATE, AMERICAN AGRICULTURE MOVEMENT, INC.

Mr. RICE. I am Jim Rice, a farmer and livestock producer from Seward County, Kansas. I am here today representing the American Agriculture Movement and farmers from across this Nation. We have a family farm operation located in southwest Kansas. We operate a farrow-and-finish swine operation in addition to our farming.

Less than 1 week ago I returned from Washington, DC, where I had the opportunity to sit in on several hearings presently going on in preparation for the 1990 farm bill.

To my surprise, the farm bill debate is just starting. I found this to be in sharp contrast to the many farm publications and media events that would lead farmers to believe that the 1990 farm bill debate is over.

Farmers from across this Nation should rise up and be heard in the next few weeks. I commend this committee for the opportunity to allow a few of us to do just that.

I would like to outline a few of the proposals that I believe need to be included in the 1990 farm bill.

One, a regular commodity program should be established for oilseeds. Producers should have the income protection, and the program administrators should have the ability to determine necessary production and reserve levels in return for such protection.

Two, wheat, feed grains, and oilseed loan rates should be increased to 70 percent of parity with a 2 percent a year increase until the loan rate is at 90 percent of parity. The Findley amendment should be repealed.

Three, commodity bases should be stated in bushels and pounds. This would allow the producer flexibility. Supply needs and program costs would be made much easier for the program administrators to figure. The present Peanut Quota Program is a good example that should be followed by other program crops.

Four, a referendum should be held to allow producers to choose the method of supply control that they want and need to maintain a viable program.

Five, producers trying to build base by not participating in farm programs should be required to stay out of the program a second year, and should take a zero on base and yield calculations for those years they were out of the program.

Six, producers of oilseeds, feed grains, and wheat should be allowed to switch up to 20 percent of their commodity base among these three commodity crops.

Seven, the continuation of the Farmer-Held Reserve should be of top priority.

Eight, on farm storage payments should be equal to that of commercial storage.

Nine, a Crop Insurance Program that allows the producer to regain at least 50 percent of his average cost of production expense, in the event of crop failure is desirable. The 50 percent will be offered as a benefit to the producer for signing up in the program. Additional coverage may be obtained by the producer at his own expense.

Ten, the 1990 farm bill must allow enough flexibility to allow producers to practice farming methods that will not harm the environment.

Eleven, care must be taken that the present GATT negotiations are not written to eliminate, or override farm programs presently being written by Congress. These negotiations should not allow a reduction of farm prices in the name of a free market.

I have been involved in the taking of a farm survey, you may recall, Mr. Roberts, whenever the disaster hearing was in Great Bend, and I would like to briefly run through the results of that. I have finalized those, and I have enclosed that at the end of my testimony here today.

Counties reporting in Kansas, I have 39 counties involved, and have other States and counties involved in this survey.

As far as loan rates, I found that 74 percent of those answering were favorable to the increasing of the loan rates. Eighteen percent felt that they should remain the same.

Target prices, 70 percent in favor of increases, and 23 percent favored the same.

As far as mandatory crop insurance, I found that 94 percent of those answering were not in favor of a mandatory Crop Insurance Program.

Farm Program cross-compliance was basically fifty-fifty.

About 86 percent of those answering the survey said that they were going to participate in a Farm Program this year, however, it was a lot more than that until I added in Missouri, and soybean growing areas, and then the program participation fell.

CRP participation was about 78 percent of them said no, but 63 percent of those answering no would participate in some program if payments were higher.

Also, the Commodity Credit loan program, I found that 73 percent of the people were not participating in the program, but if the loan rate was increased that 88 percent of those would participate in that program. I think that is something that you need to take a serious look at, because loan rates today are not very feasible.

I asked them if they were favoring a reduction of deficiency payment, would they favor reducing the deficiency payment by increasing the loan rate or the target price. Eighty percent of those said they would favor increasing the loan rate.

For stronger ground water protection, 78 percent favored stronger laws to protect our ground water. Seventy-seven percent also favored long-term CRP programs to help prevent ground water contamination.

Seventy percent were in favor of farmer referendum. Seventy-two percent were in favor of increasing the Export Enhancement Program.

Eighty-five percent of those answering were in favor of the continuation of the present farm bill. Decoupling, 62 percent said no, they did not want any part of decoupling, did not favor that.

The rest of the questions are basically just a formality of identifying. However, one thing that was interesting was that I asked them about the last contact with a Congressman, U.S. Congressman, and 43 percent of those said that they contacted their Congressman within the last 3 months, which was rather surprising to me.

Also, as their State representative, I found that 43 percent of them did so. So, there is pretty good contact. I am sure that you are probably aware of that.

One other question I asked was to just list the date of their latest farm equipment. And, on the next page I have that. I found that most farm equipment, the greatest numbers were between the years 1974 and 1982 on tractors and combines, which tells me that they are 12 to 14 years old.

I went to USDA and I prepared a chart comparing the numbers of the equipment as related to farm prices. I find that there is a very direct relationship. Every time prices of wheat went to $4, we got a lot more tractors reported on that. The chart is self-explanatory on the back. You can look at that at a later time.

I appreciate the opportunity to come before you. If you have any questions later, I will be glad to answer them.

[The prepared statement of Mr. Rice appears at the conclusion of the hearing.]

Mr. **Roberts**. Thank you, Jim. I would like to apologize to Vern for being a self-declared fly specker in regard to the legislation that we passed and always worrying about the oversight responsibility as opposed to adding simply more legislation on the books.

I did not realize that your name has sneaked up here real close to Leroy, and I inadvertently left you out of the order, so Mr. Chairman I would like to have Vernon proceed. Obviously, the State director of the Kansas Farmers Union, at this time. I did not mean to skip over you.

STATEMENT OF VERNON J. DEINES, DIRECTOR, KANSAS FARMERS UNION BOARD

Mr. **Deines**. Thank you Mr. Chairman and Mr. Roberts. I do not think it makes much difference in which sequence we speak, anyway.

My name is Vernon Deines, and I am a director of the Kansas Farmers Union Board. I would like to welcome you and the other members of the subcommittee to Wichita and thank you for coming today to hear our suggestions for the 1990 farm bill.

Much has been said and written over the last 5 years about whether or not the Food Security Act of 1985 was working, or whether USDA was administering the act in accordance with the congressional intent.

We believe that it is time to move beyond that debate now, because since President Bush issued his fiscal year 1991 budget proposal on January 29, it has been clear that simply extending the Food Security Act and expecting it to work in the future is a fiscal impossibility.

The goals of the Food Security Act were to reduce stocks, rebuild export markets, and maintain producer income through deficiency payments. The commodity programs authorized in 1985 cannot be operated with outlays of $10.2 billion unless one or more of these goals are sacrificed.

The budget calls for taking $1.5 billion out of the Commodity Credit Corporation farm price and income support programs while funding for export credit guarantees is maintained and funding for the Export Enhancement Program is increased $334 million. It is clear to us which goal of the Food Security Act is expendable to the administration.

The USDA budget is 1 percent of the total budget. If that is all the priority that we Americans put on insuring food and fiber for our citizens, there is something terribly wrong with our thinking. And I for one would be ashamed if I, as a U.S. Congressman, would have to tell that story to the American people.

The United States spends more dollars to defend Japan than it does to protect its farmers, and spends more yet to defend Korea.

Of course, net farm income is more than a matter of the Government program. It is a combination of that plus market price volume, and the management skills of the producer. The proposed cuts in the CCC programs would be much easier for us to swallow if the 1985 act had successfully affected some of the other variables.

After 2 years of disastrous weather, and several years of aggressive export marketing, wheat surpluses are gone, yet market prices have not responded. What little gain we did see in the marketplace was gone almost the minute that Secretary Yuetter announced his plan to allow producers to plant 105 percent of their wheat base.

The volume of our exports has increased, but only after enormous expenditures on EEP to lower the effective price of our commodities even further. At the same time, our competitors have not reduced their plantings, or export subsided, or their undercutting of U.S. prices. Mr. Chairman, the Kansas Farmers Union believes that low prices are the cause, not the solution of American farmer's needs.

USDA has been saying that overall net farm income is at record high levels. We urge you to look deeper than the average of all regions and all commodities. In fact, much of the net worth income gains are in commodities outside the scope of farm programs, such as fruits, vegetables, and livestock.

What has happened to the net farm income of program commodity producers? What has happened to the production cost and commodity returns for wheat growers in Kansas?

Mr. Chairman, our members——

Mr. GLICKMAN. Excuse me. Let me just stop you for a moment. Congressman Penny from Minnesota has just come in.

Mr. DEINES. Glad to have you.

Mr. Chairman, our members believe that we can design a program, within budget limits, that will recognize domestic and export demand, maintain a strategic reserve, and allow producers to get more of their income from the marketplace instead of the mailbox.

Our farm bill proposal grew out of the policy statement by delegates to the National Farmers Union. Those ideas have been flushed out and refined by our national board of directors, State farm bill task forces, and commodity councils.

Our ideas were first brought to Capitol Hill last year by grassroots members who came to Washington, DC in June and September. We have appreciated the support you have shown and the cooperation of your staff in ensuring that our ideas are heard in the growing debate over provisions of the 1990 farm bill.

I will briefly outline what that Kansas Farmers Union supports in the 1990 farm bill.

We feel that the loan rates and target prices have to be raised substantially to put farmers on a par with other segments of the economy.

We support 100 percent of parity prices. We support repeal of the Findley amendment that has resulted in loan rates artificially being forced down.

We believe program benefits should be target to those who rely on agriculture for a living. We believe some balance must be included in flexibility to maintain historical production patterns, while allowing for soil restoring crop rotations and soil conservation, without a loss of base acres.

We support using units of production as bushels of wheat, instead of acres. We support the continuation of a improved crop insurance program, with the Government standing at least 30 percent of all options.

We also support the continuation of the Disaster Program in case of catastrophic losses. We strongly support the idea of a multiyear set-aside to give producers the opportunity to establish a cover crop which benefits the soil, and this acreage could serve as a forage reserve in times of drought.

We support a Conservation Reserve. We support program payments of money or commodities, not to exceed $50,000 in value to an individual, regardless of any combination of ownership.

Mr. Chairman, this is the end of my remarks. I would be happy to answer any questions.

[The prepared statement of Mr. Deines appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you, Vernon. We appreciate it very much. Now we will have Mel Thompson, Kansas Farm Bureau. We appreciate you coming here.

STATEMENT OF MELVIN E. THOMPSON, MEMBER, RESOLUTIONS COMMITTEE, KANSAS FARM BUREAU

Mr. **Thompson**. Thank you Mr. Chairman, Congressman Roberts, and Congressman Penny. This brings back a lot of fond memories, Pat, when we used to sit across the table and talk about farm bills, and I will extend regrets from Doyle Rahjes, the president of the Kansas Farm Bureau. He regrets that he cannot be here, but certainly appreciates your coming to farm country to hear what the farmers and producers have to say. Also, Paul Fleener extends his regards to you, too. And, he was instrumental in the preparation of this Kansas Farm Bureau statement, which I will submit for the record, and just make some brief summary comments.

I am involved in farming in a family farm operation that was started back in 1903, so we are not too far from being 100 years in farming. I hope I can make it that long, so that we can celebrate that 100 years.

There are about five different points that I would like to make in summarizing our position and recommendations on the farm bill.

The first was familiarity. I think that is something that has been touched on by other witnesses this morning and it is kind of nice to be able to walk into the ASCS office and be familiar with some of the alphabet soup labels they have on the various programs and concepts of our farm bill.

I also remember one of Pat's favorite office mottos was, "If it ain't broke, don't fix it." And, I think this Farm Program is not broke, it has been a real tool to get us more production oriented, more, hopefully, market oriented, and, hopefully, more profit oriented.

I think there are some squeaks probably in the farm bill, as have been related to you this morning, but I think a little grease and a little oil will probably take care of those better than a major overhaul.

The familiarity, I think, helps in long-range planning, and I hope that farmers will be given the opportunity to make some longer range decisions, rather than always making short-term decisions, that sometimes are more costly in the long run.

As I mentioned, one of the squeaks is flexibility. And, I think this is something, as you mentioned earlier, is universal. I think, probably, limited flexibility, as has been alluded to, is most important because the farmers are resource managers. And, more and more farmers are becoming better managers. They are forced to to survive.

I think, too many times, we manage for the Government, or the Government manages for us, rather than us making the decisions based on our resources, the signals we get from the market, and our profit and cash-flow projections.

I think alternative crops should be allowed on a limited basis. Substitution is very important, and I think harvesting as forage is an alternative to harvesting grain when we are in a surplus situation.

I think it makes a lot of sense, especially for diversified farmers, to be able to harvest that forage through livestock, either through bailing it, or through grazing, if the market signals justify it.

I feel that they should not use the base. You should not have to plant to protect your base. This is part of the problem that we have run into. And also having to comply with base requirements for target price and deficiency payment is something that, I think, has led to some of the problems that we have encountered in the past with the 1985 farm bill.

I would like to look at this limited flexibility as not decoupling, but really a shift in management from Government to the farmer. And, I think, we really need to try to get on the offensive when we are talking about that, because we are really talking about a better deal for the consumer, if we do a better job of managing our natural resources in this country.

And, the agricultural abundance that we have, it is our greatest source of renewable resources that we have in this country, and we need to really build on that in trying to improve our economic situation.

In dealing with the environmental problems, and some of the environmental comments that have been made, I feel like limited flexibility addresses those, because it does give us an opportunity to rotate crops and reduce our reliance on chemicals.

Farmers are proactive when it comes to the environment, because they have to drink that water. They are right there. They are the first ones that have to encounter any pollution if they are the cause of it.

They also have to pay the bill as far as farm chemicals are concerned. So, I do not think they need a lot of real restrictive regulations, and accounting procedures, and so forth, to address the environmental matter.

And, also fewer forms. I would like to have more time to manage, and less time to fill out forms. I think that is kind of universal.

Farm markets. I feel like there is an opportunity in this farm bill to emphasize marketing more than supply management.

I think we need to develop the demand, just like Gary Hall was referencing in his presentation, concerning alternative and industrial uses of farm products. The Value Added Processing Center at Kansas State University is important, and I think the Export Bonus and Export Enhancement Program are very important.

Food for peace. This is something that has a lot of history in Kansas. The concept was initiated at a farm bureau policy meeting in Cheyenne County, Kansas. The congressional architect was Cliff Hope, Sr. Senator Frank Carlson was instrumental in congressional consideration, and President Dwight David Eisenhower signed the Food for Peace Program back in the early 1950's. So, I think there is no better legacy that we could give to President Eisenhower on the 100th anniversary of his birthday, than to really target Food for Peace in helping the transition from a Communist to a more democratic society in East Europe and the Communist bloc.

Farm credit is the other area that is alluded to in our report, and Doyle Rahjes was instrumental in the Commission's report, and would be a very valuable resource in the preparation of farm credit legislation.

There was a farm broadcast survey involving 15,077 respondents across the country, and 87 percent advocate the continuation of farm credit, and only 13 suggested banning it. Thank you.

[The prepared statement of Mr. Thompson appears at the conclusion of the hearing.]

Mr. Glickman. Thank you, very much.

Mr. Roberts. Could I say just one thing. Mr. Chairman, let the record show, and I should have said this prior to Mr. Thompson's remarks. For 8 years he served as the principal agricultural legislative assistant and troubleshooter, sort of a shotgun rider deluxe, to my predecessor, the late Keith Sebelius.

And, when many of you came back to Washington to visit, you found Mel in one corner, and I was in the other corner. I was in charge of everything that was going wrong, and Mel was in charge of everything that was going right.

I want to thank him for his contributions. So, that would probably help the audience understand the remarks by Mr. Thompson that we are renewing our acquaintance. I think, for the first time on the opposite end, at least of the witness table and the member table.

I want to say that for the benefit of my good friend from Minnesota, Mr. Penny, who I am delighted to see. Was your plane held up, or——

Mr. Penny. My plane was held up. We, somehow, got diverted to Dodge City. [Laughter.]

Mr. Roberts. I know it makes you nervous to come to this east coast metropolitan area. You should have stayed in Dodge, but we could not get out there.

Mr. Glickman. We were in Great Bend earlier. [Laughter.]

I would just also point out, ironically, the office I occupy now as my personal office was Keith Sebelius' office, 1212 Longworth Building. And, he was also not the same kind of mentor to me that he was to Pat, but he was very close, and we miss him a lot.

Next is Mrs. Spiegel, State president of WIFE. We are delighted to have you here, Nancy.

STATEMENT OF NANCY E. SPIEGEL, NATIONAL SPOKESWOMAN AND KANSAS STATE PRESIDENT, WOMEN INVOLVED IN FARM ECONOMICS

Mrs. SPIEGEL. Thank you, very much. Mr. Chairman, I thank you, and the members of the committee for bringing this hearing to Kansas.

I am Nancy Spiegel. I live in Formoso, which is in Jewell County, the north central part of the State. My husband, son, and I raise dryland grains, Hard Winter wheat, and milo sorghum.

I am involved in our family farm operation. I keep financial and accounting records, run tractors, haul fuel and anhydrous ammonia to the fields, run augers, fill grain drills, and share in the decisionmaking.

I serve as national spokeswoman for WIFE, and as Kansas president. It is my pleasure to speak to you on behalf of WIFE today.

WIFE endorses the spirit of the 1985 Food Security Act. I have touched on a number of topics in my written testimony, such as export enhancement, expanded acreages, deficiency payments, flexibility, grain standards, Federal crop insurance, environment, and food safety.

Today, I would lift two other items out for my oral portion.

In the area of target prices, WIFE would like to see target prices frozen at the 1990 level, with consideration for inflation. Farmers are one segment of the American population that does not get a cost of living increase to compensate for inflation.

I would like you to bear in mind that if target prices were frozen at $4, and the inflation rate is 5 percent for each of the next 5 years, the target price purchasing power would be only $3 by 1995.

The other area I wish to address is in regard to person status. WIFE is continuing to pursue the elimination of the ASCS regulation, section 7 CFR 795.11, regarding person status for qualifying farm wives.

Mr. Glickman, we do appreciate your efforts, and those of Mr. Huckaby, which were made in 1987, to get this situation partially resolved in the case of women who owned a farm prior to marriage.

But, this did not resolve the issue when women inherit farm land, nor did it solve the situation for the farm wife who is actively involved in the farm operation. This did not address the women after marriage.

This denial of person status to women who can meet the same criteria as any other qualifying adult is indeed discriminatory.

It is clear that there is not an understanding of the role that farm wives play in many farming operations around the country today. The saying, "you've come a long way baby" may apply to today's woman, but farm wives have not come a long way as far as ASCS and USDA are concerned.

Why are we required to have two drivers licenses, two social security numbers, two signatures on income tax forms, if husband and wife are one person? This is an equity issue.

There is legislation which has been introduced by Congressman Ron Marlenee, and it was introduced in July 1989: H.R. 2973, the Farm Spouse Fairness and Equity Act. It has 13 cosponsors on both sides of the aisle, including our own Pat Roberts.

We have actively pursued support for this legislation, and would like to see corrective action on this issue taken as part of the 1990 farm bill. Women are acquiring land, and farm operations after marriage. She is not allowed by USDA to keep that as her sole and separate farm operation, if that is her wish.

And, as some examples. A WIFE member who had land given to her by her father upon his death has had that land in her name, but the ASCS automatically commingled it with that of her farmer-husband, without regard to her wishes. The farm is 100 miles from that of her husband.

Another example, two sisters will inherit land from their parents. One sister is married to a farmer and the other is not. The sister married to the farmer will be unable to qualify as a person, because she is married to a farmer, but will not be allowed to keep her land separate. The sister not married to the farmer is considered a person.

A woman in Minnesota purchased her own farm with money she made in her accounting job, but regardless of her wishes, it was commingled with that of her farmer-husband.

This legislation also addresses the problem that has developed with multiyear Government contracts, such as CRP and the Dairy Buyout.

As an example, a Colorado woman and her husband both signed the dairy herd buyout contract. Her husband has since died. The USDA denied her the buyout payments since her husband had died, not honoring a long-term contract, because she was a woman married to a farmer.

She had to get a lawyer to correct the situation. Why should she have had to do this?

An Oregon woman inherited a farm from her parents which had been under the CRP contract. But, it was immediately commingled with the CRP farm of her farmer-husband, and payments on that inherited farm were lost. The payments are supposed to go with the land.

WIFE feels the rules should be fair across the board. Farm wives are required to sign all operating loans, and are just as responsible for those debts as their husband. If he skips out, she is still liable for the debts. This regulation of the ASCS echoes the days of past when women could not vote, hold office, inherit land or own property.

I do not personally think this is a high cost item, even though the USDA says it is. Let me emphasize that WIFE is not asking for every farm woman to be given a payment. Only those who can qualify by the same criteria as any other adult participant.

Even though I am involved in our farming operation, I do not imagine that I will qualify for that criteria.

According to a report from USDA Inspector General's office, USDA overpayed $66 million in fiscal year 1987. This mismanagement of funds should have gone to deserving owners and operators. It is appalling and immoral, that unmarried men and women can live together and be considered separate persons. This denial to married farm wives is actually a marriage penalty.

Is divorce the answer? I think not. The passage of H.R. 2973, the Farm Spouse Fairness and Equity Act is. And, I thank you for the opportunity.

[The prepared statement of Mrs. Spiegel appears at the conclusion of the hearing.]

Mr. **Glickman**. Excellent statement. I appreciate that very much. You have a few hands back there, too.

Now, our final witness on this panel is Mr. Doug Wildin. Doug is well known throughout the agricultural community in the State, and we are delighted to have you here.

STATEMENT OF DOUG G. WILDIN, PRODUCER, HUTCHINSON, KS

Mr. **Wildin**. Thank you, Mr. Chairman. Good morning Mr. Roberts and Mr. Penny.

I am a grain and livestock producer, and real estate broker and I, too, would like to thank you for holding this hearing out here in the country where it is convenient and possible for farmers to participate who would otherwise be unable to do so.

I hope, and I believe, from what I have been hearing, there will be some information presented here, that will be helpful to you in formulating a farm bill that accurately reflects the needs of farmers.

I sincerely believe that one of the most important elements of a new farm bill is target prices that include a Cost of Farming Adjustment—COFA, if you will, due mainly to the following reason—incidentally, while my comments pretty well parallel those just presented by Mrs. Spiegel, we did not cooperate in preparing our statements.

I just received a copy of a 5-year projection of farm commodity prices and production expenses from the USDA, to be used by FmHA borrowers as a guideline for cash-flow statements for FmHA farm operating loans.

This projection forecasts farm commodity prices to average no higher in 1995 than in 1990, but the USDA is predicting a 25-percent increase in farm production costs by 1995. If this proves to be true, I believe you can well imagine the wreck that will again occur out here in farm country, unless target prices increase in proportion to our production expenses.

In any event, farmers certainly deserve some kind of protection against such an eventuality, just the same as many others in America do.

Some of the many applications of the consumer price index are: Collective bargaining agreements; long-term rental contracts; insurance policies with automatic inflation protection; alimony payments; Social Security beneficiaries; retired military and Federal civil service employees and survivors; and the eligibility of, and benefits for food stamp recipients, and adjustments in the income tax structure to prevent inflation-induced increases. No doubt there are many more.

I realize there is a move afoot to reduce the cost of farm programs, but with parity prices, including the Government payments, averaging only about 65 percent of parity, how could anyone argue that farmers have not already taken more than their share of cuts in prices?

On another subject, I hope that you and your committee will make every effort to prevent the substitution of ag options for the Commodity Credit grain loan floor, target prices and/or Federal crop insurance.

I have a feeling that the Secretary of Agriculture is likely to have that as one of his unannounced ingredients for a new farm bill.

Substitution of ag options for a part of the Government Farm Program could very well wind up being accurately described as the farm commodity price instability act of 1990.

Thank you for allowing me to present my views.

[The prepared statement of Mr. Wildin appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Doug. Excellent testimony. Let me make a couple of comments.

No. 1 is to Nancy Spiegel. I think your comments were excellent, and I am hopeful that we will rectify this problem in the farm bill.

Now, let me go into a little background about what we did in 1987. It became obvious that folks in certain parts of this country, particularly in the South, were reorganizing their farms into many smaller pieces in order to get around the $50,000 payment limitation.

The practice was referred to as using the Mississippi Christmas tree. I am not sure why, except I think it got started in Mississippi.

And, what would happen is that farms would be broken down into different kinds of entities, like corporations, trusts, partnerships, rebroken down, and in one case, there was one farmer who broke his farm down into, I think, 132 pieces that qualified for $50,000 payments apiece.

Obviously, that is not what Congress intended when it established the payment limitation. It also encouraged that certain farms in this country were going to get monumental payments, when they may not have been the ones that needed it the most.

So, we tried to restrain this. And, we provided that, essentially, a farmer could get no more than three payments under certain circumstances. You had to be actively engaged in farming, and that would be theoretically a farmer who farmed on his own, a farmer who maybe farmed with a child and had some other kind of farm, but it was a compromise.

At that time, we did not say that wives were separate persons, for the purpose of the payments, except in certain limited circumstances, like, for example, if you have one married spouse, and marry another married spouse, and both brought farms to the marriage with them.

I believe, with you, that this is an inequity, and in this era of equity and equal rights, it is something that should be corrected. It will cost some money to correct it.

The one way of correcting it is, theoretically, to get rid of this anomaly, allow spouses to collect separate payments. One way would be to get rid of the three, otherwise get rid of the three payment rule as a way to kind of reduce the cost, but then allow spouses to have full payment as well.

One way is to look at forms of organization. Like, for example, corporations, partnerships, and maybe limit the kinds of organizations who would be eligible for payments.

I do not know how much this is going to cost, but it is something we ought to do that is right. So, I just want to tell you that we are going to work on it. We are going to try to do our best to get this legislation incorporated in there.

Again, we are under the gun in terms of the $1.5 billion. So, if we do this, we may have to find a way to reduce spending somewhere else in the ag budget.

And, therefore, it may be wise for us to look at what we did in 1987, generally in terms of being able to qualify for three payments. Maybe we ought to go down to two payments, and then bring spouses in, or some other way to make sure that we are not talking about an overwhelming increase in money. But, we ought to, as a goal, do what you are talking about doing.

Mrs. SPIEGEL. Just ink out that one little phrase in the regs, and say if a woman qualifies, fine. Probably, some of that will just be redistribution of money that is already there.

Mr. GLICKMAN. Yes, by the way, even though the 1987 bill stopped the practice of Mississippi Christmas treeing, it is still going on in some parts of the country. Creative people have found ways to get around it. So, we are going to have to look at that again. But, in the context of bringing spouses in, I think it makes good sense.

Let me just mention the issue of target prices. I agree with you. I would like to see target prices increased. My judgment is that USDA is going to find that the cost of future farm bills is going to go up, not go down, because the next couple of years, the market does not look all that great, in terms of the price of corn and wheat.

And, as the market goes down, deficiency payments go up, and that is one of the reasons why I think they are looking for cuts in the target prices. Because of cost scenarios.

Doug, you are right. Those production costs are going to go up, so unless we have some sort of a balance there, a lot of people will find their safety net cut more and more all the time, as those target prices go down.

That is one of the reasons why we are trying to find if there is a way we can do this that maybe is more fair and equitable, but does not cost any money.

Let me ask you all this question. What if we have the following choices, because of money? One is to cut target prices across the board to cut out the $1.5 billion, or whatever we have to come up with.

Another choice is to raise loan rates, significantly. To reduce the spread between the target and the loan. That is choice No. 2.

Choice No. 3 is to figure out if we maybe want to pay a certain target price on a certain number of bushels, and then a lower target price on the next number of bushels.

So, hypothetically, your first 20,000 bushels of wheat, you pay at $4.50 a bushel, hypothetically. And, anything over that pays at $3.50 a bushel. It is just an idea. I do not know if it is a good idea or not.

But, it is a way to try to target those payments, and assuming that that brings the cost down.

The fourth idea is some sort of a size cap, like we have on the Disaster Program right now.

What I am trying to get from you is, if you were in our position and you had to make this choice, and we are going to try to avoid making the choice, I want you to know that. We are going to try to see if we do not have to do these kind of things, but if we are compelled to do it, what is your advice? Which road do we go down?

Let us start with Doug.

Mr. WILDIN. I would raise the loan rate.

Mr. GLICKMAN. OK. And, to raise the loan rate, we have to raise it high enough, the market price, so we would reduce the deficiency payment.

Mrs. SPIEGEL. I would raise the loan rate.

Mr. GLICKMAN. You would raise the loan rate. Mel.

Mr. THOMPSON. Is, none of the above, an option?

Mr. GLICKMAN. That is the way we handled the Federal budget deficit for all these years, but let us say it is not. Let us say we have to do something.

Mr. THOMPSON. Mr. Chairman, when the resolutions committee met in Manhattan last November, Darrell Holaday, marketing division, Kansas Farm Bureau, prepared a summary of how flexibility could increase farm income. I gave this to Gary Mitchell and he was going to make a copy and share it with you all, and maybe that could be submitted for the record.

But, it did indicate that with the same Government support, having flexible management decisions made at the farm, farm income could actually increase.

Mr. GLICKMAN. The USDA says the same thing. They say that their NCA concept would actually result in reduced payments. I do not know if that can be done without going to some form of triple-base approach where you——

Mr. ROBERTS. If the gentleman would yield?

Mr. GLICKMAN. Yes, I would be glad to yield.

Mr. ROBERTS. That is the triple-base concept, and the selling of it is that the farmers individual income would be increased, and the exposure to the budget would be decreased, because when you have that third base that you move to, there is an offset acre for acre that you have to give up in your target price deficiency payment.

Now, having said that, I think the issue of flexibility, and the issue of substitution is important enough, on its own merit, without it being a disguised curveball, not so disguised, to lower target prices.

Now, having said that, if we are into Dr. Glickman's Poli-Sci 101 options, with a budget that I am amazed that he is paying as close attention to now as I have ever seen, I do not like any of these options, but do not build the MX, we could do that, I would say. But there is a proposal there, on the triple base side, that ostensibly would increase farmers income and lower the budget exposure.

Mr. GLICKMAN. That is an option, and it is one that I think has to be thrown into that, it is more like what you are talking about. Let us go down. Jim.

Mr. **Rice**. The loan rate, and I refer back to my survey, where 74 percent of them favored the loan rate increase. So, without a doubt, the loan rate.

Mr. **Deines**. The loan rate.

Mr. **Bower**. Loan rate.

Mr. **Glickman**. Yes,

Mr. **Roberts**. What do you do with the grant?

Mr. **Bower**. Well, do not raise it to a level that it will not clear.

Mr. **Roberts**. Which level is that?

Mr. **Bower**. Well, you will have to—time will tell. I will say that you will have to be on the ball on that, and there is need of planning more production, allowing more acres to be planted next year, you need to start cutting acreage.

Mr. **Roberts**. I am not trying to be quarrelsome. We are just going down the options. If Dan can do it on means testing, I guess I can do it on loan rates.

You mentioned Mr. Findley, and to repeal the Findley amendment. The reason it was called the Findley amendment when we lowered the loan rate is that nobody wanted their names associated with that effort, but everybody thought it had to be done, so we named it after Paul Findley, who was not on the Ag Committee anymore. [Laughter.]

Mr. **Glickman**. He lost his race for Congress. I want you to know that. He was already out.

Mr. **Roberts**. So, that shows you what we do for accountability. Everybody said that that had to be competitive or you simply go back and you build up your stocks and your surpluses and you go back into that world again, which I know we pay it back, and there is no budget exposure.

I have heard the Jamie Whitten speech, I do not understand, but I have heard it many, many times. And, I am not sure that we want to go back down that road. Although, I can certainly appreciate, given the options that you have out there, that increasing the loan rate is probably the least, well you do not have to use a real "brillo pad" with that, at least in the short term; long term, I am not too sure.

Mr. **Glickman**. I guess the loan rate option is one, but let us be honest about it. It reflects a dramatic, and totally contradictory approach to current farm policy. Because, to save money, you have to raise the loan rate to levels, essentially, above the market right now.

Because, that is the way you reduce the deficiency payments. It may be the right way to do it, policy-wise, but my suspicion is that it will never see the light of day, under this administration.

Mr. **Roberts**. Could I just add that we can all wave banners for what ever Farm Program option that we would prefer, and we all do that. I think we should. After all, that is why we are here.

I can just tell you that that flat is just not going to happen. That will be vetoed. We can either have an issue, or we can have a bill. And, we can remember—how many times have we heard that Mel, in terms of farm bills? What, eight or nine of them?

So, while that may be an option that would be more preferred in terms of some blood pressure out here, I can just tell you that the administration is not going to buy that. I hasten to add that we are independent, at least to the extent on the House Ag Committee, that we want to do what we think is right, in terms of our responsibility.

And, none of us have ever hesitated to sound forth when we do not agree with the administration. Do not misunderstand me. But, rather than get into a fuss, and delay this thing past August, and the break, and then get into a 1-year extension, and then have no consistency, and no predictability, I do not think we want to do that.

Mr. GLICKMAN. There have been some proposals that we raise the loan rate, even if it is not to levels approaching market-clearing levels, just to send a signal that we want the loan rate at higher levels, even though it may not mean all that much in terms of deficiency payment levels, that is a potential option as a way to protect the market from falling too much in the future.

One of my concerns is that the Economic Research Service of the USDA projects the wheat price next year, I believe it was, $3.14 a bushel, in accordance with an ERS survey. I mean, if we are at $3.14 next year, you have fluffing deficiency payments again.

The $10.5 or $11 billion is going to be more like $15 or $16, and so, I guess, one of my concerns is that we not do anything that encourages reduction in the safety net that the 1985 farm bill has provided, and I think that is your point. That we, at least, provide some target price protection that reflects the increased production costs.

And, my point back to you is, yes, we would like to do that. We may not have enough money to do that for everybody, so that is why we may have to look at the total dollars available and try to allocate that out to certain people.

And, interestingly, the administration, while we pick and choose what we agree with them on—the administration has kind of said they do not object to that kind of approach.

So, I guess this exercise in Poli-Sci 101, it is appropriate that we do it here on a college campus, reflects the fact that we may have to go down and make these kinds of choices.

In the past we have tried to make choices that are the least damaging as possible, but we will see where we are in this Federal budget mess, but our goal is to make choices that do not result in lower farm income. That is our job, representing this part of the country.

And, also to correct some of the inequities, like what you are talking about as well.

I appreciate your testimony. This has been an excellent panel, and I yield to my colleague from Kansas.

Mr. ROBERTS. I think, at this point, I will yield my time, since I have gone on and on, to my good friend and colleague from Minnesota. Let us hear what our colleague has to say.

Mr. GLICKMAN. I would point out that some of you probably do not know Congressman Penny. And, his name, in a sense, is particularly fitting to him, because, in some circles, he is known as the pennypincher of the Government budget process.

He was just named by the National Journal, which is a very respected magazine in Washington, as one of the 10 up and coming Members of Congress in both parties, and both Houses of Congress, of the current generation. And, one of the reasons why is because of his preoccupation with budget reduction.

And, he has made, in many cases, not a lot of friends in his own political party, which happens to be my political party, by that preoccupation. I did not mean that as a backhanded compliment.

Mr. PENNY. I am on that list of 10, immediately below Pat Roberts and Dan Glickman. They do outstanding work in Congress. And while the three of us do not always agree on farm policy questions, we respect one another's point of view, and have a good working relationship and a friendly, personal relationship.

I want to talk about loan rates just a little bit, or at least get your reaction to this. We have a floating loan rate right now, established, in some relationship to market prices.

I am curious to know whether we want that loan rate to continually float, or whether there might be some justification for an absolute floor, below which it could not fall? I would welcome any reaction to that, particularly from the Farm Bureau.

Whether they are content to take a chance on a loan rate that might erode, and erode and further erode until it is meaningless, or whether your organization, at some point, might accept the need to have an absolute floor below which the loan rate could not fall for the program commodities.

Mr. THOMPSON. I think probably, our concern with an absolute floor is that it sends a signal to competitors that there is a price at which the loan will not go below. And, if they can somehow figure out a way to produce at that price, than they are given, in a sense, a guarantee.

Mr. PENNY. I understand from an economic perspective the virtue of that argument. But, do you think that it is conceivable that somebody is going to figure out a way to produce the same grain we grow, at a price that is below a $1.50 for wheat, per bushel?

Mr. THOMPSON. The lower it gets, the less time they are going to spend trying to figure out whether they can produce at that level, or not.

Mr. PENNY. It just seems to me that, at some point, it is almost economically impossible for a foreign competitor to undercut our price.

Mr. THOMPSON. And, at that point then, the loan really becomes meaningless to our domestic producers, or to foreign producers. So, I really think it is kind of a hypothetical issue. And, I guess our concern is farm income.

Mr. PENNY. Sure. I am concerned about that, too. But, I do not want it all to come from deficiency payments.

Mr. THOMPSON. That is right, and that is why we emphasize the demand aspect of the new farm bill, as well as the supply management aspect, and having some vision for the future, and trying to develop the markets for our productive ability. The U.S. farmer can produce, as no other farmer can, and more efficiently.

That is really still the foundation of our U.S. economy. We can compete——

Mr. PENNY. But, looking back at this domestic production situation, while I would not want to have loan rates that would encourage more production than we need, resulting in the Government taking over the grain at some expense, and encourage uneconomic decisions on the part of the farmer to buy land, at more expense, and all the rest, to produce grain, because there is an attractive price guaranteed by the Government.

I do think that there is an economic reality about how much it does cost to produce, and that it would not be prudent for us to cut the legs out from under our farmers with a loan rate that is so low they could not produce at that level.

And, what I am getting at is what has happened in soybeans, for example, where other competing nations will produce it, really at a loss, just to get cash-flow. And, if that were to continue in other commodities just for a few years, it could take that price below what we all know to be a profitable price.

At some point, somebody has to say there is a limit on how low we are going to allow farm income to fall, and how much we are going to try to make up for that by pouring in deficiency payments.

Again, any reaction you might have to that is welcome, but I do not have, in concept, a quarrel with this floating loan rate, except that, I think we have to admit that there are certain production costs that make it impossible for farmers to produce below a certain level, and that speaks to some kind of a floor.

Mr. **Wildin**. Mr. Penny, I guess the question that keeps coming to me, and where I disagree with the Farm Bureau--I do not believe that the American farmers want to lower their standard of living to wherever it might have to go to compete with some of the other producers in the other countries.

I also do not believe that the producers in the other countries are capable of producing the amount of grain it is going to take. The Russians are about to have a revolution because they are short of food. I think there is a demand for the grain, but I do not think we ought to produce it below——

Mr. **Penny**. To reinforce your point, we have not done this with wages. We have a minimum wage in the United States. Many of the nations that we compete with on the international scene do not have a minimum wage.

The point I am making is that there is a certain standard of living, and there are other ways to compete, without putting all the pressure on farm income. One of those is the Export Enhancement Program.

I mean, to the degree that we find a nation that, for some reason, is offering grain for an amazingly low price, the EEP is there at far less expense than a huge deficiency payment to every producer for every bushel to combat that kind of price erosion.

Again, I guess the point that I would like to make is that, in agriculture, we do not have what we have for the wage earner, and that is some kind of a floor below which income can not fall. And, that is the only reason I raised this question about loan rates.

Mr. **Thompson**. And, I in no way want anyone to think that Farm Bureau is in support of a lower socioeconomic standard of living for farmers. Our concern is increasing farm income.

It is just, I think, an attitude toward the role the loan rate plays in the management decisions made by farmers, and the return that the farmers realize from those management decisions. I think, that is where the flexibility, giving them some alternatives to a forced production program, like to some degree, the 1985 act was.

They were told to get the carrot, the stick was there that they had to do such and such, and follow the rules.

Mr. PENNY. We all know the mistakes of the past that resulted from some support structures that moved us into management decisions that did not make economic sense.

I am not looking to return to that, but I think putting a floor on the loan rate, especially when loan rates are now about half of what they were when I came to Congress, is not a suggestion that is terribly radical. It just says that maybe there is a point below which we do not have to move.

Let me move to another issue, and that is this base flexibility. All of us are enamored with this idea. I would like to see farmers have more ability to manage their own operation.

I am a little bit reluctant, though, to basically tell a farmer that whatever you have grown in the past we will continue to give you a support payment based on commodity programs that you have grown, even if you do not grow any of those next year.

I do not see that it is particularly fair to the nonprogram crops. As I understand the administration's base flexibility plan, it really would not expect you to grow wheat next year, even though historically you have been a wheat farmer.

If you are interested in base flexibility, what portion of your corn or wheat base do you think is a reasonable portion to be diverted to some other crop production? And, do any of you buy into the administration's idea that we can, basically, tell you to plant your entire corn base in wheat, if you like, or in soybeans, or some other crop if you like and still get a wheat subsidy?

Mr. DEINES. I already signed up in a program, and I am just talking personally now, and I am not going to use the flexibility program.

Mr. PENNY. The flexibility program is limited right now.

Mr. DEINES. Right.

Mr. PENNY. It is not as open ended as——

Mr. DEINES. But, I could have planted 25 percent of my base as soybeans this year, if I had wanted to, which I am not.

But, I like the flexibility part, if they would, we know we are going to have environmental issues, and I think nobody would argue the point that we need to address those problems.

But, if they want to use a flexibility program, let us use it as conserving use acres, and plant that to clover or some crop like that, and let us harvest those for the cattle feed, and build up our soil that way, and we will do away with a lot of herbicide problems.

Mr. PENNY. A second question as it pertains to flexibility is, if we are going to implement acreage flexibility, at least up to a certain amount, maybe a range of 10 to 30 percent of your program acres, is it not conceivable that we could just implement acreage flexibility on a year-to-year basis in the future, instead of an ARP?

I mean, why have both? Why have a 5-percent, or a 10-percent, or a 20-percent set-aside in wheat, and then acreage flexibility on top of that?

Why do we not just make acreage flexibility our supply management mechanism, because it is pretty clear to me that we have not achieved a lot of success with acreage set-asides in the last decade or more, anyhow.

And, flexibility allows you to reduce your program crop production, which may be in surplus, and it would be a good thing to reduce it, but it allows you to follow the market signal as to what else you might produce. How do you feel about the idea of having an acreage flexibility program supplant and replace our historic acreage reduction efforts?

Mr. RICE. I think, personally, that would be very desirable. Because, right now, the rules and regulations for the different set-asides, and program reductions, and that are very confusing when you go to the ASC office.

They are very cumbersome, not only on the farmer, but also on the employees in that office. A lot of times they have no idea of what is really going on. I think a lot of room for error, as far as the set-aside requirements.

Mr. PENNY. And, would you like this percentage flexibility to be established annually at the Ag Secretary's discretion, or would you like it to be defined by formula, in relationship to the size of the surplus and such?

Mr. RICE. I think it should be designed by formula——

Mr. PENNY. By formula, so you kind of see yourself what is coming down the line, instead of the Secretary of Ag.

Mr. RICE. Probably no more than that 20 percent.

Mr. PENNY. Keep a limit, up to that 20 percent acreage flexibility as determined by the size of surplus in our program crops.

Mr. RICE. Right.

Mr. PENNY. I see some other heads nodding, here and I appreciate that. That way you do not have to speak up and reiterate the same remarks.

Mrs. SPIEGEL. I was just going to say, limited flexibility, so that we are not pitting commodity against commodity, and destroying——

Mr. PENNY. That is my nervousness about this open-ended thing, is that by following the market signal, we could have a hog cycle with every commodity that we grow. And, we do not need that, to have boom and bust every second or third year in crop production.

One last question. I am one member of the Ag Committee that has attempted to provide some targeting to farm payments, because, frankly, I think we have to admit there is really a limit to how much the Government ought to be expected to pay any individual producer to keep them in business.

In many cases, we are paying individual producers a big Government subsidy when they are quite wealthy, thank you, and could probably survive without the subsidy. But, we do it because it is based on their crop and not on their wealth.

I suggest putting a limit on bushels. Instead of a $50,000 payment limit, put it on 40,000 bushels of corn, 30,000 bushels of wheat, and your deficiency payment applies only to that quantity, not to the dollar amount, but to that quantity.

That will not fly in this committee because not everybody represents small farmers, like me. Minnesota does not have very large crop producers in at least my part of the State.

But, the administration has now suggested that we put a further limitation on the deficiency payment to producers, if that producer has at least $500,000 of gross income in a year.

I know coming to Kansas and asking that question is not going to get the same response it would get in Minnesota, but is there anybody here that feels the Department of Agriculture is on the right track in recommending that at some income level, we may start phasing down and eliminating this entitlement to a Government deficiency check?

Mr. WILDIN. How do you get those people to limit their production?

Mr. PENNY. No, this has nothing to do with their production. It has to do with how much money they make.

In other words, this would means test the payment, it would not be just because you grow this amount of grain, you automatically get the deficiency payment. Once you begin to reach a certain overall income flow, we would start to phase down the size of that deficiency payment, below the $50,000 until a wealthy enough farmer would not get a dime of Government subsidy.

Mr. GLICKMAN. Still probably qualify for the loan.

Mr. PENNY. They are not making a recommendation on the loan. This is the deficiency payment.

Mr. RICE. I think that is going to be very hard to administer, almost impossible.

Mr. PENNY. Do you think we have——

Mr. RICE. Because, your accounting world—you can take your bookkeeping to three different accountants and get three different answers.

Mr. PENNY. As to what your income level is?

Mr. RICE. Sure. I think the paperwork would be disastrous.

Mr. GLICKMAN. You know we do that now in the Disaster Program. We have a $2 million gross sale limit. You can not get disaster funds if you are over that right now.

Mr. PENNY. But, his point is whether that would be an enforceable kind of policy.

Theoretically. Hypothetically, if this were a perfect world, and we did not have to worry that 90 percent of these folks would play games with the numbers, do you think that there is some merit, some value to signaling to producers that if you are in such and such an income level, that the farm deficiency payment would be phased down, and ultimately phased out, depending on your wealth?

Mr. DEINES. I think one thing that would probably help the little farmer and the rural communities, which nobody is addressing, that is a real serious problem. Trying to keep our rural hospital, and stuff like that.

Mr. PENNY. Well, another way of going about this is to, as Dan suggested, and I am not saying he is going to propose this, but it was another hypothetical idea, and that is to give a higher target price on a certain amount of production, and a lower target on an additional amount, and that would do an awful lot for rural communities who are surrounded by small farmers, instead of bigtime operators.

Because, it would give those farmers better income, and the larger producers, on that excess production, a lower check from the Government for those extra bushels.

So, there are different ways to do it, but the point is that we means test welfare. You come into the welfare office in any county, and if you got a car that is worth more than about $7,000, you do not get a welfare check.

But, we do not do that with the deficiency payment for farmers. And, some of these farmers are not broke.

Mrs. SPIEGEL. But, to put a dollar figure on gross income, that can include cattle inventory, and everything on family farm operations, and those dollar figures——

Mr. PENNY. I understand, but a diversified operator, is probably less reliant on crop production for their total livelihood, anyhow.

And, in my area, if you have hogs, and you have crops, and you have dairy, it is a combined operation, and not every year, every part of it is profitable, but over time it balances out.

The fundamental point I am trying to make is that the Government is supplementing your income.

Mrs. SPIEGEL. The Government is subsidizing the American consumer.

Mr. PENNY. Well, the Government is supplementing your income with these deficiency checks, because the market price is not paying you what you need. I am just asking the question as to how much the Government owes the farmer that is otherwise making a big chunk of change?

And, that kind of a limit could be set at such a level that it does not impact on most family operators we have out here. But, it makes it very difficult to go to the floor of the House, and sell a farm bill if we sit around defending the 5 or 10 percent of our American farmers who are turning $500,000 in income every year.

So, I think, if we agricultural Representatives, who tend to be tightwads—and I cut the budget every chance I get—and if we who represent rural areas want to continue to badger about the welfare recipients, and everybody else that is getting a Government handout, thinking about some limit on payments to farmers who are pretty well off is not something we ought to reject out of hand.

Mr. DEINES. I think you could turn that coin around, too, and say that we, poor farmers, we are subsidizing "the refrigerator," who plays for the Chicago Bears, that is how I look at it.

Mr. GLICKMAN. I was trying to figure out which "refrigerator" you were talking about. [Laughter.]

Mr. ROBERTS. I think it is very interesting what my colleague has said. What are you doing?

Mr. GLICKMAN. Giving you a mike. [Laughter.]

Mr. ROBERTS. We will have a mike in here in just a minute. [Laughter.]

Let the record show that Mr. Penny and I have had a very interesting discussion down through the years on how we fit this farm bill under budget. And, yes, on those appropriation bills, Mr. Penny has recognized in the Congress—well, he voted yes on a spending bill, several years ago, and the clerk jumped up and said, are you sure. [Laughter.]

He is not really given to picking on agriculture, he is trying to make the point, as all of our farm organizations do, that we have to bring this under budget.

But, we have had some very interesting discussions on who is a family farmer, and what size of farm should receive payments, income, bushels, size, whatever.

I tried to emphasize to Tim, I think it is in the water up there in Minnesota, that we do have a father-two son operation, very typical up in our country, of 1,000 or 2,000 acres, and to be efficient, with the kind of rainfall we have, that is the size that we are.

And, somehow or another when we get into this, he is right, when we get into income payments to farmers, you are going to get, on the floor of the House, a tremendous push to really limit that.

The problem with it, once you start, it is like limbo. How low can you go? And, we have people who will make it $10,000. We have people that will say, in the letter from Mr. Armey, the Armey-Penny-Glickman effort.

Mr. Glickman. Let the record show that only Mr. Armey's name is on it. [Laughter.]

Mr. Roberts. I tell you to stop this, we are going to need the Navy and Marine Corps, before we are through here.

Anyway, $1.6 billion Government payments to people with income three times the average for a family of four. I can hear the debate on the floor, now.

And, so that is the point he is trying to make. But, once you start that, what is the average income for a family today? What is it, about $24,000?

How can you justify any income payment to anybody, simply because you are a farmer. Oh, you are producing food and fiber for this troubled and hungry world, I know all that, but that is no different than anybody else, unless it is a supply management program.

I am just worried about where we are headed. I am worried. These are legislators, they are the majority. I am just sort of a whistle blower, and a poor imitation of Jimminy Cricket, as we try to have a little consistency and predictability in this matter.

Mr. Penny. I came down here to raise the issue, to give Pat an opportunity to give that speech. But, Pat is right, if this becomes some kind of dispute on the House floor, it gets out of control.

And, that is why I would like to contain this debate about whether there ought to be some limit, or some means testing of some sort, within the ag community, so that we do it with an understanding of how it ought to be done. If it is going to be done how it ought to be done.

Because, if we go to the House floor, those are the kinds of arguments that have an awful lot of appeal. Pat may say that he is Jimminy Cricket, because he is in the minority party, but all of us who represent rural districts are Jimminy Crickets, because we are in the minority in Congress.

And we would like to contain this debate and resolve this question, if there is a way to resolve it within the committee, and with the understanding of what kind of agriculture we are trying to support, so we do not have to get rolled on the House floor by those who do not understand agriculture.

Mr. **Roberts**. Yes, we do have a payment limitation, Mr. Chairman, now, that results in about 740 acres of wheat that comes on the Farm Program. Anything over that amount is not covered. So, we do have a payment limitation.

Let that record be very clear, so that when the press reports tomorrow that I am for the big producer, whoever that might be, the efficient city producer, we do have to have those limitations, there is no question about that. But, it is just that I would prefer to do it that way, as opposed to getting into these troubled waters.

Mr. **Glickman**. Let me try to get us out of these troubled waters. But, I would like to make one final point. That is, in this whole context, I think you have to consider the environment that, in the last 40 years, we have lost 3 out of 4 people in rural America. Largely, because they can not make any money farming.

And, a lot of that is because we have gone toward efficiency, and efficiency means fewer people. Unfortunately, if you take it from a purist Adam Smith point of view. And part of this discussion is to try to figure out—maybe as we look at farm programs, just thinking about it intellectually, trying to figure are there ways to provide incentives to get people back.

And, to do that, that may have to be looking at downsizing a bit, rather than upsizing farm operations. That is not the way we have been going, in terms of geographical size. That is one of the reasons why we are talking about the issue.

I guarantee you these issues, we will do our best to make sure there is nothing here that will work harm or prejudice to 99.99 percent of Kansas farmers. It just will not happen.

Anyway, thank so much for your panel. Obviously, we enjoyed you, or we would not have kept you here so long.

We are pleased to have our distinguished Governor of the State of Kansas, here, Mike Hayden. And, Mike, I saw Sam, is Sam coming with you, or is Sam Brown back there?

Mr. **Penny**. I want Sam up here. We had Sam in Minnesota for a rural development conference. So, I want him up here.

Mr. **Glickman**. Sam, Tim wants you, so you better get up here.

Mike, we are delighted to have you here, and we have had an interesting and spirited discussion, so far, which is healthy for agriculture. It is not healthy if we just sit down here and totally agree on every issue.

That does not do anybody any good, because then you do not fine-tune what you are doing right, or really critically point out what ideas are bad. We have done some of that. We have heard some good ideas and bad ideas. Most of the bad ideas came from up here.

Anyway, we are delighted to have you here. You may proceed.

STATEMENT OF MIKE HAYDEN, GOVERNOR, STATE OF KANSAS

Governor **Hayden**. Thank you, Mr. Chairman. Sam and I are both privileged to be here. I would say that while you have been struggling with the farm bill in Washington, we have been struggling with reappraisal and classification in the property tax in Kansas.

Of course, I have gone all over the State talking about that. I was out in western Kansas, not long ago, in a small town, and there was an older gentleman there, and we were discussing this.

He said, Governor, the property tax is a lot like Pat Roberts hair cut. He said, no matter what you do, no matter how you part it, or how you arrange it, or how you attempt to cover it up, it is never going to be very pretty. [Laughter.]

Mr. GLICKMAN. I second that.

Governor HAYDEN. It is certainly a pleasure for me to appear, Mr. Chairman, before your subcommittee with my good friend Congressman Roberts and Congressman Penny, we certainly welcome you to Kansas, today.

It is important, I think, because we are the lead State in the country in the production of wheat, grain sorghum, flour, and processed beef. We are also in the top 10 in production in virtually every major commodity in agriculture, except rice, citrus, and bananas.

So, the 1990 farm bill is of utmost importance to the people of this State. Maybe more so, than almost any other State, certainly highly critical.

Let me compliment you first on the 1985 Food Security Act. We think it has been highly successful. It has worked, we recommend that we build from that base. That we not radically depart from our current policy, but that we make adjustments, orderly adjustments, to the current bill.

On behalf of Kansas farmers, let me say that we believe in greater flexibility. The National Governors Association has adopted that we move away from a crop-specific set-aside to a total farm-based concept.

The administration in their recent proposal has another name for it. We do not care what you call it, but we do believe in greater flexibility for our producers.

The total farm base would involve the aggregate number of acres of all program crops produced on a given farm, rather than reducing acreage for a specific crop.

A farmer could qualify for Federal benefits by placing a portion of the total into the conservation use, and be free then, to plant whatever mix of crops is chosen by that farmer, on the remaining acreage.

We believe, very much, that farmers should be allowed to farm for the market. They should be allowed to farm for consumer needs. They should be allowed to farm for environmental concerns, rather than the Government's demands. And, that is where flexibility is so important.

Kansas farmers want to produce for the market. They have for a long time, but have not really been able to.

On the conservation side, which is an important element of the farm bill, I am recommending the broadening of the conservation programs. Certainly, the CRP was a great step forward in 1985.

I support, personally, the establishment of environmental conservation acreage program to expand the existing CRP to permit areas inhabited by endangered species, one of Congressman Roberts favorite subjects, or environmental sensitive areas, to be eligible for benefits offered by the CRP.

This should include wetlands, riparian areas, and especially important in Kansas, are lands that influence water quality along our streams and major drainage areas.

We need to provide additional incentives to farmers to establish long-term practices in conservation, such as the establishment of wind breaks. We, also need to include, in CRP programs, the inclusion of existing trees and wind breaks, to provide financial incentives, so these will not be destroyed.

I support cost sharing for private projects in the establishment of artificial wetlands. I am glad to see the administration included that in their proposal. Especially, for the control and cleansing of runoff from feed lots, livestock operations, and packing plants. These could be critical in the future.

I strongly support the continued availability of the Export Enhancement Program. It has been a very critically important program, especially in wheat and flour, and we urge you to continue it.

We should provide support for research on agricultural production systems that will reduce the use of energy, water, and agricultural chemicals, while at the same time, sustaining farm income.

We need to provide funding to agricultural research, and extension systems, to meet the constant economic and technical changes in agriculture.

On the rural development side of the bill. We believe that rural assistance programs need to be directed to the enhancement and creation of jobs in rural areas. Congressman Glickman talked about the decline of rural populations. I come from a farm family myself, from a small town, from a county that has been losing population since 1933.

Jobs are the key to retaining young people in rural areas, and the key to any opportunity to enhance people to move to rural areas. This can be accomplished through programs of education, infrastructure investment, and economic development projects.

In conclusion, Mr. Chairman, I also feel that these recommendations should be implemented at a cost of no more than the funds expended for the Food Security Act of 1985. If additional funds are needed, than I think program cuts must be made from other areas of lower priority.

And, I know firsthand, as Governor, how difficult that is to achieve. So, we are not asking for a lot of new money over and above what you have already provided, as far as the portion of the budget going to agriculture. In fact, we know that we might have to take our cuts, along with everyone else, to help reduce the Federal deficit.

We should be part of the solution, not part of the problem.

At my request, most of these proposals that I have gone through, with you, today, have been adopted by the National Governors' Association. The key to a strong agricultural economy, is a commonsense agricultural policy, out of Washington.

Theodore Roosevelt described farmers as having the character of those who are every inch men, and we're American through and through to the very core. It is as true today as it was in his day.

We appreciate the opportunity to appear before your subcommittee, and we would be glad to answer any questions.

[The prepared statement of Governor Hayden appears at the conclusion of the hearing.]

Mr. **Glickman**. Mike, we thank you for testifying. I appreciate your work in the conservation area, generally.

I hope that as we get into expanding the CRP program, particularly in the wetlands area, which to some extent affects us here, but it is really big in your area, and the Dakota's, the glacier areas, you know where they left all these potholes all over the land, that we can maybe have some input and impact on how we deal with CRP and what we make eligible, as well conservation programs, generally.

As you know, we are going to be really into this environmental issue, application of chemicals issue, and pesticides. One of the things that is going to be hot on the agenda is to adequately fund the research budget.

So, that if we ask farmers to reduce the use of pesticides and chemicals, that we are capable of producing the crops necessary to withstand infestation, drought, all these other kinds of things that you need to apply the chemicals and pesticides for.

We hope that we can do that, and we can target as much of that to our universities in this State, and I know that the State of Kansas also provides some input into that, through the State board of agriculture, as well as the appropriations that are done, here, as well. So, we look forward, very much, to working with you on these issues.

Thank you very much for testifying.

Governor **Hayden**. Absolutely, we feel very much in concert with your thoughts. Additional research on low input sustainable agriculture, we think is going to be critical.

Sam has been working with the university president, our land-grant university president, with the idea of setting aside, we have not got this accomplished yet, with the idea of setting aside certain portions of our experimental farms to deal with new research in low-input agriculture, sustainable agriculture.

It is the wave of the future, and I think it is most important that we, in agriculture, get out ahead of it, and that, really, we control the agenda, because there is danger that the agenda might get away from us and be controlled by those outside of agriculture, and I think we will be big losers if that happens.

Mr. **Glickman**. One other question. I know that the State has wrestled with this issue of interstate banking, and I do not know enough about it to get into it, but I do know one thing that strikes me. You talked about economic development and jobs, there does seem to be a gap in terms of getting money in from entrepreneurial-type projects in some of these less populated counties, and how do you build hospitals, or sewers, and even new business.

And, there is also a lack of new Federal funding that is capable of coming in this area. I have been struggling with the question of how do we get the private banking system, or the Farm Credit System to, maybe, come in and provide some additional money, so that you can do those things so business will want to come in.

I wonder if you have any ideas along those lines?

Governor **HAYDEN**. We are struggling with the interstate banking question. We are the only State in the Nation, right now, that does not allow interstate banking. I have indicated I will sign an interstate banking bill if it reaches my desk.

The senate committee passed it unanimously, yesterday, out of committee, now it rests on the senate floor.

My one concern about that, Dan, is that probably most of the benefits of interstate banking will accrue to our urban centers, especially our urban centers along State lines, like in the Kansas City, Wyandotte, Johnson County area, Leavenworth County, to some extent, perhaps, here in Wichita, because of the close proximity to Tulsa, and the banking system in Oklahoma.

Our rural areas in the western half of the State probably will not see much impact, because interstate banks are not nearby, across the State line, large interstate banks that would have the capability of infusing capital.

I am very, very worried about our infrastructure investment, in particular, in the rural areas. We pushed through, as you know, last year, the comprehensive highway bill, which is going to put about 2.5 billion dollars' worth of infrastructure investment across the State, a lot of it in rural areas.

But, I share the same concerns you do about the infrastructure of our rural areas. Roads, bridges, hospitals, schools, where are we going to get the capital to make those investments——

Mr. **GLICKMAN**. And, these are the kinds of things that a business needs, to decide whether they are going to go into that county, or not. With modern satellite communication, you can locate a business anywhere in this country.

You do not need to be in urban areas, but you do need the infrastructure. The schools, the roads, and the highways, and we are just going to have to really dig in our heals, and work on this cooperatively with the Federal, State, and private sectors, because the current system does not seem to be providing very much capital to rural areas, certainly not what we need.

Governor **HAYDEN**. We certainly agree with that, entirely.

Mr. **BROWNBACK**. Let me add something, briefly, to that, if you would not mind. We now have about 300 From the Land of Kansas companies that are marketing food products processed in Kansas. Many of them entrepreneurial start ups. A number of them contacted us on two issues. One is distribution. They state that now that we have this product, and we have a local market, how do we get it out further? They are not set up to distribute widely. We are working on this.

Second, is a lack of start-up, or seed capital, or venture capital, I do not know what you want to call it. But, all through the system is short.

We have been able to work with Farmers Home Administration some. It is something that keeps coming up with a great deal of repeatedness from these start-up groups. It seems to be the type of capital that if you have a gold-plated operation you can get the loan. Many of these do not, they have an idea and a product, and the present capital system, even though the money is out there, they can not access it, because of a lack of traditional collateral.

Mr. **GLICKMAN**. Thanks very much. I turn to my colleague, Pat.

Mr. Roberts. I want to thank you, Governor, for your specific recommendations. When you say, I support the establishment of an environmental conservation acreage program, as you know, Senator Dole has had the ECAP bill on the Senate side. We are going to reintroduce it on the House side.

There is some concern with the CRP program and additional acreage that that would have an effect upon the rural economy as well. But, clearly, that is a program that needs to be started. So we will be introducing that. I want to thank you, on behalf of Senator Kassebaum and Senator Dole for your input on that.

On the Export Enhancement Program, Mr. Chairman, it was the Governor who came back to Secretary Lyng, and then, now Secretary Yuetter, talking about value added, some kind of a trade policy 204 value-added products.

It was during the business where we were trying to use the Export Enhancement Program, at least a very small portion of it, for flour exports, and we were successful, and I thank you for your help on that.

But, what a marvelous opportunity we have in Eastern Europe, all throughout Europe now, to take advantage of this opportunity, if we just have a trade policy tool for value added, as well as export enhancement. And, so, I want to thank you for that.

As I have indicated, George Brown is the chairman of the Research Subcommittee, I am the ranking Republican, we are going to increase funding for LISA. And, we are going to increase funding for, what I think is a very dramatic package, for integrated pest management.

And, you are exactly right, if we can do that and give the farmer the opportunity to determine that by himself, as opposed to some kind of a mandate, I think that is the direction you want to take. So, I can assure you of those increased funds.

Mr. Glickman. Thank you.

Before Mr. Penny asks question, I have neglected to introduce Georgia Tassick, with Senator Kassebaum's office, who has been dutifully taking notes on everything that we have been saying.

Mr. Roberts. I hope not.

Mr. Glickman. Do you want to stand up, or wave your hand.

Mr. Penny. Well, in addition to serving on Dan's subcommittee, I also serve on Conservation and Credit, and wanted to mention, as Pat did, that there is strong interest in the committee in revising the CRP in a way to take care of some of the water, and water quality concerns.

I, also, am intrigued by your discussion of financing for jobs in rural communities. I always wonder whether this is another of those chicken and egg situations. Do the jobs come to the rural communities because we spend a ton of money on infrastructure? Or does the infrastructure come because people are going there for jobs?

I guess, if we are going to invest in a sure thing, it would be nice to invest, knowing that the jobs are going to be there, instead of putting the infrastructure in place, and no jobs follow, and there is a big debt to pay off the infrastructure that we have constructed.

But, you have to get the money. What about the idea of pooling between Farm Credit, REA, and the banks, so that none of them shoulder the entire risk.

But to set up, and maybe even allow some other partnerships, and if the State has a program that wants to participate, so that it is a little spread around, and that that can be targeted strictly to new business ventures in the processing field. I am not talking retail firms, we do not need Wal-Mart's in every little town. They will just shut down Main Street if we do that, we need processing firms.

What merit would that idea have?

Mr. GLICKMAN. Our next witness is Sam Walton, with Wal-Mart. [Laughter.]

Mr. PENNY. Well, we do not need a Wal-Mart in every little town. It has shut down a lot of my main streets.

Governor HAYDEN. Let me give you some of our experience, and Sam may want to speak to it, as well, about your question about the chicken and the egg, and which comes first.

Right after I became Governor, a gentleman walked in my office, who originally was from a town of about 1,500 people, in a county of 4,000, where he grew up, and he left Kansas and made his fortune in business.

And then came and said, listen, Kansas is my home State. I am from a small town. I want to, in fact, build a new plant here. I would like some help. He said, I only have one requirement, though. Transportation is tremendously critical, and I can only build my plant where I have access to a four-lane highway.

So, he did build his plant in Spring Hill, Kansas. And, he does have today 300 workers in that plant who were not there before. But, because we did not have the infrastructure in place in a great percentage of the rural areas of this State, they were off the table immediately.

He would not even talk to us about going to those communities, because we did not have the infrastructure that he needed to get his product to market.

So, we think that an infrastructure investment, many times, comes ahead of the jobs. But, we hear what you are saying, too, about the investment in venture capital, or in new and creative ideas in business.

We have, and Sam has been involved, we have some venture capital programs from the State level, as well. Incubator facilities, and these kind of things to start up, on the production side, small business.

I think your idea, though, of pooling resources between Federal programs and the private sector is a good one. In fact, we require, for some of our programs, a partnership between the public and private sector. We will not put up our money for some of these programs, unless there is a private sector involvement, and a cost sharing.

So, I think, innovative and new approaches, like you are talking about in financing, are virtually critical. If we are going to start up and create new jobs in the rural areas, we are going to have to come up with new financing mechanisms that we have never relied on before.

Mr. **Penny**. Thank you Governor. If I might ask Mr. Brownback to pursue one question, and that is alternate crops.

Realistically, as we talk about acreage flexibility, what are some of the alternate crops that farmers, in this region, might find worthwhile to experiment with? I guess, tied to that, are there processing plants that might also spring up if we are producing a reasonable amount of those commodities in this region?

Mr. **Brownback**. If I could, I think you would have to break the alternate crops into two categories. One would be the large scale alternate crops that can fit in a large geographic region, and another one, the small niche-market alternate crops. They are very different kinds of crops.

The major large alternate crop that we view as having some reasonable possibilities for Kansas, and I say, reasonable possibilities, because we have to develop the knowledge and pay our tuition to learn how to grow it and get it to market, would be the canola/rapeseed.

Two crops, basically—really one—but one for human consumption, the other for industrial uses, within that area.

Given the amount that we import, given its water needs, and that it generally grows well where Winter wheat grows well, which is normally Kansas. Last year we had a bit of an aberration on that. That one, I think is one worth watching for a good portion of this State, as it develops.

If you look at the niche market-type of crops, there are any number of those, dependant upon somebody developing a market first for it, and then going on forward.

In the canola area, this past year, we were able to locate a market for canola being planted in Kansas, thanks, also to Congress, whose adjustments to the farm bill allowed us some flexibility for the planting of canola. About 1,000 to 2,000 acres were planted this past year, in Kansas.

Alan States was on earlier, he would have a better handle on that. I think that is about the right amount. We have a group in Kansas trying to locate a processing plant.

We are not saying it is right for everybody, it is not right for everybody. But, what we want to try to do is find options for people. Options that then they can realistically assess and determine.

I think the processing plants, then, can come in, once you show the production capacity, similar to what sunflowers have in northwest Kansas, where we now have two major processing plants in place. The last one, the world's largest confectioner sunflower plant opened up last year in Colby. That would be the way I respond to that.

Mr. **Penny**. Thank you.

Mr. **Glickman**. Thank you very much for your testimony today. We have two panels left, and I apologize for the delay. I know some of you have been waiting here an awfully long time, but that happens here when we start asking questions. And, it is rare when we get this opportunity.

So, we appreciate your waiting around. We will try to finish today, no later than 1 o'clock. I still want to give, at least, 15 minutes of time for people to come down and say what is on their mind in an open mike.

So, I would encourage all of you to do your best, really to summarize the best you can.

The next panel is basically a financial type panel. Dr. Andrew Barkley, of K State. Mr. Fred Bentley, Kansas Rural Center. Mr. Mike Fahrbach, Kansas Independent Bankers. Mr. Sam Eberly, Farm Credit. Richard Jones, Kansas Association of Conservation Districts, and Mike Van Campen, president of Kansas Fertilizer and Chemical Association.

Then our last panel will be the panel dealing with food stamps and commodity programs. I think that is an interesting way to cap out this particular hearing.

I, again, ask you to believe us, your entire statements will be in the record. You need not read your entire statements.

It would really help us if you could summarize them in a few minutes, that will give us at least some time to ask you some questions. So, why do we not go ahead and begin.

We will start with Dr. Barkley, then we will move down the line from there. Dr. Barkley, it is a pleasure to have you here. We welcome you.

STATEMENT OF ANDREW P. BARKLEY, ASSISTANT PROFESSOR, AGRICULTURAL ECONOMICS, KANSAS STATE UNIVERSITY

Mr. Barkley. Thank you. I am Andrew Barkley, and I teach agricultural economics at Kansas State. This morning I have been asked to briefly summarize the results of a survey of farm operators that was conducted by Kansas State and 20 other land-grant universities.

My comments are going to be quite concise, because I have brought along with me two publications that I would like to submit to the record, which I think you have copies of.

Mr. Glickman. They will be part of the record, and I must tell you, of course I talked to Dr. Flinchbaugh on several occasions, as we have been together in many meetings, and I think these are extraordinary surveys. Some of the best I have ever seen on public opinions on agricultural issues.

Mr. Barkley. Thank you. I would like to just, briefly, summarize some of the contentious issues that have been brought up today.

Let me first give you a few details about the Kansas component of the survey; 3,000 farm operators were randomly selected from the over 75,000 farmers in the State of Kansas, and each of these 3,000 farm operators was sent a mailed questionnaire, with questions on both ag policy and public policies.

The response rate was over 1,200 surveys, or 40 percent, which is considered to be quite excellent for a survey of this type.

The Kansas farmers in the sample were fairly representative of the national sample, but a larger percentage of Kansas farmers are enrolled in the commodity programs, and thus the response of Kansas operators reflects the desire to maintain the present program more strongly than in other parts of the country.

As far as the present commodity programs go, 38 percent of the Kansas operators would prefer to maintain the present programs.

The second most frequent response was that of a gradual reduction in programs, and 31 percent of the Kansas operators preferred that approach.

Only 12 percent of the Kansas operators would like to see mandatory supply control, and 11 percent would like to see decoupling.

So, what we have is two major groups of Kansas respondents. One of which would like to maintain the present programs. And, the other that would like to see a gradual reduction in programs, over time.

Kansas farm operators preferred a total acreage base, such as recently proposed by the administration, by a wide margin. In fact, 63 percent of the respondents favored the idea of a total acreage base, while 31 percent would prefer to keep the current bases.

This is one of the strongest results of the survey. I would like to especially point this out to Mr. Roberts, that in Kansas, a big majority of farmers prefer the total acreage base to the current crop specific bases.

As far as crop insurance goes, 36 percent of the Kansas operators would prefer to keep the current crop insurance programs. Less popular is the reliance on disaster aid, as outlined by Clayton Yeutter, in his proposal of February 7.

Only 26 percent of the Kansas farm operators would prefer to eliminate crop insurance completely, and move to reliance on disaster aid, only.

Mr. PENNY. What was that percentage, again?

Mr. BARKLEY. Twenty-six percent.

Mr. PENNY. Twenty-six percent. Eliminate it entirely?

Mr. BARKLEY. That is right. Thirty-six percent would like to maintain the present programs.

In trade issues, the Export Enhancement Program received strong support in Kansas. Fifty-five percent of the respondents from Kansas support export subsidies. However, 74 percent of the same group would favor negotiating reductions in worldwide trade barriers.

So, what I think the respondents are saying here is, if other countries are going to subsidize exports, we need to be in that ball game, too, and we are going to do it as well.

However, farmers would prefer all nations getting together and negotiating reductions over time in worldwide trade barriers.

As far as the environment goes, 66 percent of Kansas farmers prefer Government regulation of land uses to reduce water pollution. This is another one of the strongest results of the survey.

When given a list of alternative methods to improve soil conservation and water quality, 58 percent of the Kansas respondents preferred the sharing of costs involved between Government and farmers, over several other approaches, including taxes.

Kansas farmers felt that conservation compliance should be continues. Sixty-one percent of the sample preferred to see the continuation of the compliance continuations.

The Conservation Reserve Program is very popular in terms of both participation rates, of which 23 percent of Kansas farmers are participating in the CRP. Seventy-six percent of the polled respondents would prefer to maintain or expand the number of acres in the program.

I see my red light is on, so I would like to just finish real quickly with one of the big topics of today's meeting. And, that is the targeting of benefits.

Kansans seem to be behind the idea of targeting program benefits to smaller farmers, or at least to those farmers with less than $250,000 in total sales.

Sixty percent of the Kansas farmers responding preferred this approach to farm policy. Fifty-three percent of the national total were in agreement with this idea.

On another question, and I will end with this one, when asked about how to reduce Farm Program costs, 48 percent of the Kansas farmers, with the most frequent response, were behind continuing payments to small farmers, defined as those with sales as less than $250,000, and cutting payments to large farmers, who are defined as those with sales of over $250,000.

I will be glad to answer any question.

[The prepared statement of Mr. Barkley appears at the conclusion of the hearing.]

Mr. ROBERTS [acting chairman]. We want to thank you, Doctor. I think all members of the Kansas delegation received this booklet, and I commend it to the attention of my colleague from Minnesota, in that it has been very helpful to us.

We would like to welcome now, Mr. Fred Bentley, who is the administrator of the Kansas Rural Center, in Whiting, Kansas. So, Fred, why do you not continue.

STATEMENT OF FRED BENTLEY, ADMINISTRATOR, KANSAS RURAL CENTER, INC.

Mr. BENTLEY. Thanks, Mr. Roberts, Mr. Penny, welcome to Kansas. I want to talk, just very briefly, in support of low-input farming practices.

I was happy to see the Governor mention his support for low-input farming in his comments, and I am also happy to hear you say, Mr. Roberts, that LISA is going to receive increased funding next year.

I want to emphasize that low-input is a low-cost, environmentally benign way of farming. It reduces petrochemical inputs, improves conservation of farm resources, and protects the health of farmers and farm families.

And, perhaps, most importantly, it is also a strategy to get new farmers started in agriculture.

As I am sure you are aware, a growing body of research evidence is showing that low-cost farming systems are just as productive and profitable as high-cost petrochemical farming.

In fact, in some cases, crop yields and livestock productivity are actually increased, and expenses significantly lowered on farms that employ these practices.

However, Federal farm commodity programs are a serious barrier to broader adoption of low-cost farming methods. Current commodity programs favor chemical intensive, continuous plantings of a small number of crops.

Farmers who add soil building crops to their rotations lose program payments, and base acreage for the commodities supported by the program.

Acreage bases for individual crops constrain changes in the mix of program crops that are planted.

Higher crop yields mean higher program payments. This makes it profitable to use more chemicals than would be profitable without the Farm Program.

Federal farm policy should stop penalizing farmers from lowering production costs, raising their net farm income, and being good stewards of soil and water resources.

Rather than encouraging production of a few particular commodities, Federal farm programs should reward stewardship, and create economic opportunities for people in agriculture.

The benefits should be more effectively targeted to moderate-sized farms. The acreage base and proven yield systems should be reformed to remove barriers to adoption of sustainable practices.

Farmers need greater flexibility on the cropping rotations they can use on their farms. This should include program support for soil building forage crops such as alfalfa, clover, and legume/grass mixtures. Small grain/grass rotations should also be given program support.

These changes would encourage greater crop diversity, help farms make a transition to lower-cost farming, and create a more level playing field in agriculture.

The Jontz bill in the House, and the Fowler bill in the Senate address many of these needs.

I have attached to my testimony recommendations for sustainable farm policy that have been prepared by the Sustainable Ag Working Group, which is a Midwestern organization of some two dozen groups, including the Kansas Rural Center.

I have also attached to my testimony, analysis by the working group that concludes that the budget impact of the Jontz and Fowler bills is neutral. And, under some scenarios, it could lead to some budget savings.

As you know, Congressman Roberts, the Kansas Rural Center is currently sponsoring a USDA funded LISA on-farm research and demonstration project. We are working with a network of, about, 150 farmers across the State to develop information and knowledge on low-cost farming systems.

We recently announced a small cost-share program to help farmers finance these on-farm projects. We received over 60 proposals requesting assistance, but we could only fund 32 projects. I think this shows that the level of interest in low-cost farming practices in Kansas is great and growing.

However, readily available information and Federal farm policy support to help farmers address their desires to make changes in their farming operations is largely lacking.

In closing, Federal farm policy has favored cheap food over safe and nutritious food, exploitation of resources over conservation of resources, large farms over small and medium sized farms, and a continuing decline in farming opportunities, and the economic health of rural communities.

We need to reverse these trends that are driving farmers from the land, closing smalltown banks and businesses, and shifting ever increasing tax burdens on fewer and fewer people.

Federal farm policy is an appropriate avenue to begin addressing the inequities that farmers and rural people face. I urge you to support a farm policy that will encourage lower-cost farming practices. Let us help farmers raise their net farm income so they can give greater support to the communities around them.

Thank you.

[The prepared statement of Mr. Bentley appears at the conclusion of the hearing.]

Mr. ROBERTS. I want to thank you, Fred, for your testimony, and for the work that you are doing, more especially on the hands-on approach in regard to LISA, which is a term that has as many definitions as does flexibility now.

But, in terms of the hands-on experience that we have to have to enable farmers to make that decision, you have been a real pioneer in that effort.

The next witness is Mr. Mike Fahrbach, president, Kansas Independent Bankers Association, and a member of the KBA, from Haven. Mike.

STATEMENT OF MIKE D. FAHRBACH, PRESIDENT, HAVEN STATE BANK, ON BEHALF OF THE KANSAS INDEPENDENT BANKERS ASSOCIATION, AND MEMBER, KANSAS BANKERS ASSOCIATION

Mr. FAHRBACH. Thank you, Mr. Roberts. Thank you, Mr. Penny. The written testimony that we have presented to you, was prepared primarily by Mr. Roger Thornton, of the First National Bank of Anthony.

And, in it, it contains several specific comments on certain provisions for the proposed farm bill that directly affect the face-to-face relationship between the borrower and the lender.

I have been in banking for 17 years, and the generation before me, for over 50 years. We know of no time as difficult as the period of the last decade.

We know of no time in the history of agricultural lending when there have been fewer answers and fewer alternatives.

Banker and borrower, together, have made more advances in this short period in areas of cash management, operating efficiency, and debt control, than in any previous time in banking history.

The comments in our testimony attempt to point out that those elements of both the current and the proposed farm bills that have provided some genuine assistance in keeping that sector of the farm individuals in business, who deserve the opportunity to continue operating.

I have lived in the Haven community since 1955, and in our town of about 1,200 people, our bank has traditionally been an ag-related bank, with over 50 percent of our loans made directly to agriculture, the other 50 percent related to ag, one way or the other.

We have ag customers that range from the older generation, incumbered by little, or no debt, with no need for borrowed operating assistance, to the younger generation farm families, who have found themselves laden with debts that have swollen disproportionately with their devalued assets.

It is this end of the demography that causes the most concern for bank regulators, and for bank management. And, it is this end, that formulates the specific requests in our testimony.

The key terms in farm cash management of today are, positive cash-flow projections, planned minimum debt reduction, and the credibility of both.

The farm bill provides the bank and the regulators with answers to a significant amount of credibility, which, in some cases, is the only assistance we can hold onto that will enable us to provide operating capital to put out a crop for the upcoming season.

The Farmers Home Administration programs have been, in some cases, the only factor for our bank being able to continue our lender relationship.

The Federal crop insurance payments have provided, in some instances, some of the only cash available for repayment of operating loans.

The advanced efficiency payments have provided significant relief in laying out the lender-borrower cash-flow proposals for an upcoming year.

These, and other programs within the bill, are very important to us, and we hope you will call on any banker in your district, or elsewhere, for their experiences or opinions on the effects of the bill.

The banks of Kansas are, as an industry, healthy and have significant funds available for loans. Our health has not come about by accident, or overnight.

We have conservatively dealt with the delicate and trying times of the 1980's, as our community would have it, and as our regulators would have it.

We have developed intimate lender-borrower relationships, because it is in both our best interests. Our industry asks for and needs no bail-outs, but simply your assistance in providing us with programs that supply the operating guarantees that only the Farm Program is capable of.

We recognize that our efforts and concerns are no more than yours, Congressman, and we pledge our assistance to any that you may have.

I appreciate the opportunity.

[The prepared statement of Mr. Fahrbach appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much. Sam, pleasure to have you.

STATEMENT OF SAM G. EBERLY, BOARD MEMBER, FARM CREDIT BANK OF WICHITA, AND DIRECTOR, WICHITA DISTRICT FARM CREDIT COUNCIL

Mr. EBERLY. Thank you, Mr. Chairman. My name is Sam Eberly. I am a member of the board of the Farm Credit Bank, here in Wichita, and a director of the Wichita District Farm Credit Council.

In 1988 and 1989 I did have the privilege of serving as the chairman of the board of the National Trade Association of the Farm Credit Council. I have had an opportunity to visit with each of you on various occasions.

My remarks here this morning are based on the assumption that there will be credit title in the 1990 farm bill. I think my background really provides me with a unique perspective on the importance of a strong agricultural economy.

First, and foremost, I am a borrower of the system, engaged in farming.

Second, as a board member of the Farm Credit Bank, and the Farm Credit Council, I am concerned that the system have the ability to adequately finance diverse aspects of the agricultural industry and rural America.

And, third, as a former president of the Federal land bank association, I know, firsthand, how important it is for loan officers to have adequate tools with which to serve agriculture and the rural communities in which they work and live.

Mr. Chairman, we commend you for your strong support of agriculture, and that of the rural economic development.

The 1990 farm bill will be very important to the future of farm commodity programs and the agricultural economy. We will defer to our friends in the farm commodity organizations in regard to their specific recommendations for the future of these many programs.

We do want to express our strong support, in general, for agricultural programs which encourage long-term profitability.

There is a resolution attached to our testimony, of the Farm Credit Council, which does, indeed, stress the importance of profitable farm economy.

For the next few minutes I would like to focus my thoughts about the critical problems of any new Federal rural development strategy, from the system's perspective, and why the Farm Credit System should be considered as an important link to any new congressional rural development initiative.

Mr. Chairman, as you, and your colleagues on this subcommittee know, much has changed in rural America since the early days. Within the last 35 years the farm labor force has dropped by 65 percent.

Farmers, today, account for less than 3 percent of the population, less than one-fifth the level in the early 1960's. Perhaps the greatest relevance to this hearing is the fact that, for at least the last decade, upwards of 30 percent of the total farm income came from off-farm sources.

The vitality of the rural business community is essential to the vitality of the agricultural community. The Farm Credit Council's membership has unanimously adopted a policy statement on rural development.

The resolution reads, in part:

> That the availability of competitively priced credit in rural areas is essential for economic growth to take place. System institutions are well situated to serve the broader credit needs of rural areas, including the financing of rural infrastructure. Further, a more diversified loan portfolio would strengthen system institutions, permitting them to better serve their traditional clientele.

Accordingly, the Farm Credit Council will support legislation to preserve and enhance the role of system institutions in financing credit-worthy rural enterprises, both community-based and private, while maintaining the existing farmer and farmer-owned cooperative ownership of the system.

We would like to talk to you, just a moment, about some broad suggestions for consideration as you move forward with any new legislation. Rural communities are struggling to improve, or install, water and waste disposal systems to meet Federal health and safety standards.

The banks for cooperatives, for example, have an outstanding record of financing certain rural businesses and essential rural services. We support expansion of the authorities for BC's in this area.

System institutions are very interested, and willing, to initially finance credit-worthy community infrastructure projects, which may never be funded by FmHA, because of the backlog of qualified applications.

Under limited authority, system institutions are authorized to refinance certain Federal community facility loans.

Many of these communities involved readily admit that they would initially borrow from system lenders if they could.

The demographics of rural communities are changing rapidly. Many towns larger than 20,000 are considered rural today. Under current law, Federal land bank associations can handle financing for rural residents and borrowers in communities up to 2,500 people.

This is much too narrow and inconsistent with other Federal definitions of rural areas. The system could expand its service to rural America with the authority to finance rural residents in towns of up to 20,000 in population without requiring the sale of system rural housing loans to Farmer Mac.

Mr. Chairman, just as you, and your colleagues determined the need for Farmer Mac to increase competition in what has been our traditional markets, there is a need to insure that the Farm Credit System is an equal player in financing rural residents without the requirements to sell the loans to Farmer Mac.

The Farm Credit System can support and enhance the sound economic development of rural America.

We have a long established record of meeting the highly diverse, complex financial needs, of farm cooperative needs, and utility lenders, we have experience in financing rural home loans, we have an established delivery service which serves all regions of the country. And, this delivery system is second to none in rural America.

Congress should not invent a new bureaucracy to serve rural America, but while agricultural and commercial banking have changed dramatically over the last 35 years, the Farm Credit System's lending authorities have not.

The System's principal concerns are that efforts be directed to credit-worthy activities, be related to the System's expertise, and be of benefit to the System's owners.

Mr. Chairman, no other institution has a greater stake or is better positioned to assist in the carrying out of a new policy for the development of rural America. We stand ready to help.

Thank you very much for this opportunity.

[The prepared statement of Mr. Eberly appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you very much. We appreciate your statement.

Mr. Jones.

STATEMENT OF RICHARD G. JONES, EXECUTIVE DIRECTOR, KANSAS ASSOCIATION OF CONSERVATION DISTRICTS

Mr. **Jones**. Thank you, Mr. Chairman, Mr. Penny, Mr. Roberts.

The Kansas Association of Conservation Districts thank you for the opportunity to testify on the program needs for the 1990 farm bill.

We represent 105 county conservation districts in Kansas. A resolution was passed at our 1989 annual meeting that urges the CRP regulations be changed to allow farmers to retain crop acreage bases without having to plow out CRP lands at the contract expiration date.

The present regulations would require plow out or take a 20 percent annual loss in crop acreage base.

We also agree with more flexibility. I think everyone has stated, or most everyone has stated that crop rotations are needed by individual farmers to manage their operations. This would be true of their conservation operations, as well.

We feel there should be consideration for multiyear set-aside programs. Farmers should be allowed to put 5 percent of their land to permanent cover, and count this as set-aside.

They should, also, be able to choose the land that they put in set-aside, so that more fragile, or highly erodible lands could be put under permanent cover. We also encourage the continuation of the Conservation Reserve Program, with emphasis on trees, where applicable, but not to say that this limits to use of native grasses where adapted, especially in western Kansas.

Also, we would urge the extension of the Great Plains Conservation Program for another additional 10 years, and extend the funding by $300 million for that 10-year period.

We, also would urge the continuation of the conservation compliance provisions of the 1985 farm bill. This will result in more conservation placed on highly erodible lands, and save the productive capacity of these lands for future use. And, this is very important to Kansas, since Kansas has some 13 million highly erodible acres, the highest percent in the Nation, only second to Texas in acreages.

We also urge the continuation of the swampbuster and sodbuster. The American farmer was the first environmentalist, and he understands the need to protect the environment and the wildlife.

I would be remiss if I did not talk about funding. The American farmer should not be expected to carry the burden of cost of conservation alone.

From conservation, immediate returns to conservation do not reflect the cost incurred in the short term. And, basically, the farmer is buying insurance that these lands will remain a productive capacity for future generations.

There should be associated funding costs of conservation management applied on the compliance and for wetland preservation.

Farmers do not have the expertise in all fields, funding for technical assistance to ensure that the work we do in the conservation area is done properly, and can be easily maintained for our future generations.

With this, Mr. Chairman, the Kansas Association of Conservation Districts, again, thanks the committee for being a part of the program.

[The prepared statement of Mr. Jones appears at the conclusion of the hearing.]

Mr. GLICKMAN. I want to thank you, and also thank you for your help and your education to us in Washington, over the years, as well.

The final person on this panel is Mike Van Campen, of the Kansas Grain and Feed Dealers. I appreciate your being here.

STATEMENT OF MIKE VAN CAMPEN, PRESIDENT, TURON MILL AND ELEVATOR, INC., AND PRESIDENT, KANSAS FERTILIZER AND CHEMICAL ASSOCIATION, ALSO ON BEHALF OF THE KANSAS GRAIN AND FEED ASSOCIATION

Mr. VAN CAMPEN. Thank you, Mr. Chairman, Mr. Roberts, and Mr. Penny.

I am Mike Van Campen, owner and president of the Turon Mill and Elevator at Turon. I am also, currently, the president of the Kansas Fertilizer and Chemical Association, and I am appearing today, also on behalf of the Grain and Feed Association. We appreciate this opportunity to discuss the 1990 farm bill.

Our statements will focus on environmental issues. But, I would like to first comment on other provisions of the farm bill.

We do support the concept of greater planting flexibility. We recognize there is going to be difficulties in designing an equitable program, but greater planting flexibility will allow producers to better respond to market signals, and will also provide environmental benefits by facilitating crop rotations, and planting of soil preserving crops.

We, also support the inclusion of an actuarily sound crop insurance program. Producers will benefit from a consistent, dependable program, versus the emergency efforts to seek disaster assistance.

We also believe that the program needs to be reviewed all the way from the Washington administration down to the local agents, to simplify, and clarify the administration of the program.

Turning to the environmental issues, we support expansion of the Conversation Reserve Program for environmentally sensitive areas. This environmental reserve should be solely for the purpose of idling small acreage of most environmental sensitivity.

Speaking from the area that I am most familiar with, which is south central Kansas, I estimate that fully two-thirds of the acreage going into the current programs are not Conservation Reserve acres, they are conservation retirement acres, and I would like to highlight the retirement portion of this program.

I do not believe that was the intent of the Congress, or of the program. This situation is causing economic havoc in rural communities, not only for crop suppliers, such as myself, but other businesses as well, including the ag lenders.

Other provisions relating to environmental food safety issues must be based on solid science, or at the least, we will not solve the "problems."

We may also cripple the productivity and profitability of American agriculture.

For instance, saying, to reduce input, sounds to some like a solution to environmental ills. However, reduced inputs do not necessarily mean an improved environment.

In fact, quit the opposite is often the case. Lower fertility means less productivity, less crop residue, greater erosion, and runoff.

Research data shows that, in comparing nitrogen sources of commercial nitrogen, legumes, and manures, that the greatest loss of nitrogen to ground water, comes from manures, followed by legumes, and the least amount from commercial fertilizers.

Only 18 percent of the nitrogen applied as manure is usable as nutrient for uptake by the plant, the rest is available for runoff or leaching the ground water.

Likewise, crop protection chemicals allow for conservation tillage, more crop residue, less runoff and less leaching of ground water.

Simply reducing inputs would maintain inequities and penalize good managers who are already using systems which protect the environment, and there are many such good managers.

Producers need to be encouraged to use the best management practices, and adopt environmentally sound systems, not simply, reduce inputs.

Reducing inputs on many farms would cause environmental damage, rather than protection. The goal should not be to simply reduce chemicals from current levels, but to have management systems which protect the environment.

Many producers are using high yielding management systems, with high nutrient and chemical use, and protecting the environment, while there are producers using little or no purchased inputs, yet causing environmental damage with loss of nutrients and topsoil to ground and surface waters.

As management systems are not equal, neither are inputs. It makes no sense to reduce inputs which are benign in the environment, or better for the environment than the alternative.

Environmental protection, high productivity, and profitability are compatible. Good management systems, the only acceptable ones of the 1990's can achieve all three.

Research and analysis are needed to best address these environmental issues. Research often gives us some unexpected answers, which we need to solve problems. For example, the Kansas Farmstead Well Survey identified 28 percent of the wells tested as having levels of nitrates above the EPA standard of 10 parts per million.

Many people assumed commercial fertilizer was a significant cause of that nitrate contamination. However, research analysis completed by Kansas State University, last year, showed the wells at risk were those over 70 years of age, due to their proximity to septic tanks and barnyards.

In fact, the analysis showed no correlation between nitrate contamination and fertilizer use. The closer the cropland to well, the lower the nitrate levels.

Research has shown that when pesticides are found in gravel or other sources, usually a point source. In response, Kansas fertilizer and chemical dealers requested legislation to require bulk fertilizer containment.

Pesticide containment regulations are already in place. Our members are preparing for compliance with these new regulations, and several, such as myself, have already completed state-of-the-art containment facilities.

We must identify solutions which will truly benefit the environment, and are economically feasible and practical. Those solutions exist and they are being utilized by producers and agribusinessmen.

We urge you to guard against any hasty solutions, based upon emotion, rather than science, which will benefit neither the environment, or agriculture.

We thank you for this opportunity.

[The prepared statement of Mr. Van Campen appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Mike. And, again, we appreciate the efforts of your organization, as well.

I am not going to ask any questions, because the hour is running late. I would like to make a couple of mentions, though.

One is the survey at Kansas State. I recommend it to everybody. It is one of the best that I have seen. I, especially, am interested about that one section where the 60 percent believe that there ought to be prerequisite to signup environmental compliance. After seeing it, specifically, that kind of runs contrary to what I would have thought the answer to be.

But, again, it shows how farmers are, at heart, environmentalists, and want to do the right thing.

There is another survey produced for the Illinois Agricultural Service, I do not know if you have seen it, it is the same kind of survey, and it has comparable numbers in it, as well. I would recommend it.

The final thing, to Sam, as you know, we have worked on some of these things as well, and what I have tried to tell folks in the banking community is, my interest is looking for ways to augment your role in providing some infrastructure.

Lending is not meant to take away the authority of the private banking system, it is meant to augment their authority, because we will get some infrastructure growth. And, we will keep working with them, and with you, to try to design a program that fits the needs out there in rural Kansas, because you do have a lot of potential, that I think can provide some money, particularly for infrastructure help.

Anyway, we appreciate it very much. Mr. Roberts.

Mr. ROBERTS. I yield Mr. Chairman.

Mr. GLICKMAN. Mr. Penny.

Mr. PENNY. No. I just simply wanted to mention that, to the degree we might get Farm Credit involved, I think our concept is kind of a pooling arrangement, where you would be doing it in partnership with private lenders, and not supplanting their ability or their right to serve those local communities, but to assist them, and join with them, in those particular loans.

Mr. GLICKMAN. I would say the Wichita district has been particularly in the lead in trying to explore these concepts. They ought to be commended. Thank you all very much.

We have our last panel today, which is, as I said before, a bit unusual that we would have this at a farm hearing but, I think it is important to show the role between the producer and the consumer. And, that is a panel dealing with, basically, food issues.

I think it is also relevant that Mr. Penny is on the Education and Labor Committee as well, which has jurisdiction over WIC, Women, Infants, and Children, what else? Well, child nutrition programs.

So, anyway we appreciate you all being here, and also I might mention that Bob Parker, I worked with him at Venture House, this is a group that through, basically, through the auspices of the Episcopal Church, Episcopal Social Services, feeds several hundred people a day. And, has worked out a program with the Boeing Co., whereby Boeing supplies much of their surplus food from cafeterias, every day, to feed people. It is a very unusual program in the country, and it is one that I would compliment him on, as well.

I know that you are all here. Why do we not go ahead and start with Ms. Lindsey, then Ms. Mork, and Mr. Parker. And, again, try to do your best to keep your time within the 5 minutes.

STATEMENT OF CARRIE LINDSEY, CHAIRWOMAN, KANSAS WELFARE RIGHTS ORGANIZATION

Ms. LINDSEY. My name is Carrie Lindsey, and I am stated as a food stamp recipient, but that is actually incorrect. It will be a good case in point, since I am a student, I no longer receive food stamps. I have sort of maxed out, because of my student loans.

I also want to comment that I enjoyed watching Mr. Penny ask the farmers if they were interested in means testing forms of subsidies. I think it would be a neat concept if we could get many Federal Government programs means tested, and boy would that just throw everybody for a loop.

Contrary to popular American belief, eating is good. Young people, women, and more increasingly, men, starve themselves for appearance sake. Hungry people do not. They starve because they cannot afford to eat.

At greatest risk, of course, are children. Crisis is a popular word these days, you have drug crisis, education crisis, budget crisis. Children cannot learn if they are hungry, and you can continue to pump all the money you want into the drug problem, but a large portion of that problem, in reality, is a poverty problem, and that part of it is going to have to be addressed some time.

With budget crisis, I cannot help but mention military spending, we can build all the peacekeeping weapons we want, but hungry, homeless, uneducated children, do not need that sort of peace, nor protection.

There is always talk of a workforce 2000 crisis, that there will be enough qualified workers from our current pool of children. Food security is the bottom line. And, you cannot have family security, or national security, unless you have food security.

Some of the proposed rule changes, that I would recommend, saying that they would be the best, would be, to remove the mandatory household definition rule.

As a general rule, people who are poor, are poor because they do not have any money. In America, the middle classes and businesses often pool their resources, so they can have more while giving us fewer dollars.

The household definition rule prohibits the poor from doing the same thing. People cannot share shelter with their relatives, without risking loss of food stamps, and they are often forced to choose between eating and having shelter.

I would also suggest that you allow low-income students to receive food stamps without working. Currently the students in post high school training must work at least 20 hours to continue to receive food stamps. As students from low-income backgrounds, they are at risk of not finishing their training, or education, in the first place.

And, to ask them to work 20 hours a week, to be able to eat, is not practical. It forces them to spend less time on their education, which may lead to incompletion, which, then, again, puts them at risk of becoming a permanent part of the welfare system. And, that means spending more food stamp dollars for a greater length of time.

Also, I would like to mention the food stamp credit card. The stigma related to food stamps will return when people begin to recognize the card. And, the cost of implementing the program, so that food stamp recipients are not singled into single grocery store lines, or singled out to certain checkers.

The cost may cost us more than the money saved in reducing the fraud in lost food stamps. And with all the talk of budget crisis, it does not seem like a good idea, at this time, implementing a program that is just going to, later on, receive the same sort of stigma.

Also, in mentioning, not only food stamps, I would like to mention the WIC Program. It is the best program available, that I can tell, and any dollars added to it would be a good investment. One of the reasons that I have survived without food stamps is that I do get WIC, and that makes all the difference in the world. And, without my WIC, I would not be surviving at all.

To summarize, it is interesting that you get all these farmers in here, and I have a 4-year-old boy and of course he thinks that food comes from the grocery store, and when he thinks of farmers, he thinks of Old McDonald, and cows, and animals, and I think we will have to add grain to our list of what Old McDonald might have on his farm.

When you talk about subsidizing farmers, and bringing these farmers here, and making it good for people to go back into farming, what you are really talking about is eating. And, that is why we have farmers, so we can eat. And, what the bottom line is, as far as the Food Stamp Program goes, is that you have a lot of people out there who cannot afford the food.

And, eating is good, and the Food Stamp Program is good, and to sum up quickly, because the red light is on, I would ask, please,

please, no cuts. We are suffering cuts on the State level, and we need support from the Food Stamp Program where we are losing our cash, at the State level.

[The prepared statement of Ms. Lindsey appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you very much, very good.

Vicki.

STATEMENT OF VICTORIA L. MORK, DIRECTOR, MEDICAL SERVICE BUREAU

Ms. **Mork**. Good early afternoon. It has been an interesting morning.

I am here today, to present testimony on the Food Stamp Program, and the Temporary Emergency Food Assistance Program. I believe I bring a good perspective to this. I have a 16-year history, working for the State department of social and rehabilitation service.

Currently, there are at least 130,000 Kansans that benefit from either of those programs. During my 16-year tenure, with SRS, I did have directors responsibility, and outreach with the Food Stamp Program, as well as, I implemented and administered the TEFAP program for Sedgwick County.

In my current position, as director of the Medical Service Bureau, I assist many low-income persons that we categorize as the medically indigent. And, they are people that are not receiving any other Government assistance for their extensive medical expenses, and yet, many of them do not qualify for the food stamp programs, either. So, they seem to be really falling through the cracks.

I have about seven suggestions for changes in the Food Stamp Program and its reauthorization for this 1990 year.

One is, the excess shelter cap should be eliminated. Currently, 24 percent of all recipients of food stamps in Sedgwick County, are receiving the maximum deduction for excess shelter.

I think that this shows that the deduction is no longer realistic. Those expenses have gone up greatly, and the cap has not kept pace with that.

I am also calling for a simplified household definition, Carrie mentioned this. That is, currently, if I was living with my friend Jane, we could both receive food stamps as separate entities. If I was living with my mother, that would not be possible, and I do not think it is fair to penalize families for sharing expenses.

Also, the ADC Program allows a $50 pass through for child support. This is exempt income, under the ADC Program. I feel like the same $50 that is being passed through to the ADC recipient should be exempted on the Food Stamp Program.

I think parallel construction there, means a great deal to a bureaucrat that has to administer the program. I, also believe that the vehicle allowance should be increased to a more realistic level. The current level of $4,500 has not been increased since 1977. I think a lot of water has gone under the bridge, since then.

The problem that I see there is that if a family is recently unemployed, and they do have a good vehicle, that the wage earner has been getting back and forth to work in, that could prevent them from receiving food stamps until they go back to work.

Overall, I feel that the allotment levels of the Food Stamp Program should be increased. I think that the way they have structured it, at the present time, is very unrealistic.

Apparently, the Food Stamp Program was devised as a supplemental food program. I think what we are seeing now, is families being squeezed between, picking between eating, utilities, and rent. That, they need to take a more major and central role in providing the freebies for the family.

Check with the Kansas State Extension Service. A family of two can spend between $45 and $70 a week on food. A family of four, depending on, if they have preschool children, or grade school children, could spend between $66 and $120 a week.

The food stamp allotments for the maximum monthly grant would be $182 or a family of two, and $331 for a family of four, and practically no one receiving food stamps ever gets the maximum allotment.

One thing that I have run into personally, as I deal with a lot of senior citizens, these are people that do not qualify for any Medicaid help, they have, maybe, $500, $600 a month in Social Security income, and yet, they only receive, maybe, $10 in stamps. There case workers are not informing them of the ability to submit their medical receipts.

And, that would be a direct impact on their budget. I think it is real reprehensible. The workers, of course, are stressed out, overworked, they do not have time to go over the fine points with these senior citizens. But you know, organizations like AARP, senior service programs in the community, could certainly be utilized to promote a public information campaign in that respect.

I think, overall, the Food Stamp Program needs to have an increase in benefits for all poor people this year. And, also, they need to reup their efforts on getting participation levels increased.

I would just like to close by talking a little bit about the Temporary Emergency Food Assistance Program. I do not recommend that that program be expanded at all. It was an effective program in 1980, when it began, in terms of getting rid of the excess dairy products. I think it pretty well fulfilled that legacy.

I think it is a very haphazard project. It relies on a lot of volunteer networks, which is not bad, it just means that your level of accountability, certainly, is compromised.

Also, one thing that I encountered when I worked on the program was that the volunteer agencies, there were storage and security issues that could not be adequately addressed. And, also, the delivery of the service, of the product, was so unpredictable, we could never come up with any kind of a regular timetable. I think that really impaired the recipients' accessibility to the program.

Thank you very much.

[The prepared statement of Ms. Mork appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Vicki. Bob.

STATEMENT OF REVEREND ROBERT V. PARKER, EXECUTIVE DIRECTOR, EPISCOPAL SOCIAL SERVICES, VENTURE HOUSE & BREAKTHROUGH CLUB

Reverend **Parker**. My name is Robert Parker, I am the executive director of Episcopal Social Services. You have my statement in front of you, I am not going to read it to you. We are running late. I am irritable, hungry, tired, and out of control of my life, but that is what it is like to be poor.

We are out of time, and I am on your time, but I have been here since 8:30 a.m. this morning. But, that is what it is like to be poor. Sitting, and waiting, and waiting, and waiting and out of control of your life.

Everybody in this room, and I appreciate the fact, since I am the last person to talk, everybody is still here, most people are still here, and we are all hungry, but that is what it is like to be poor.

I am going to miss my lunch, because I have another meeting to go to, now, but that is what it is like to be poor.

Constantly hungry, and constantly feeling that irritation and that out of controlledness of your life. And, so rather than read my statement, I want to make that one point.

As you gentlemen go back to Washington, and you talk about what you are going to do with this $1.5-billion cut, please do not leave these disenfranchised people out, because they do not have much power to say much to you. They just wait, and are hungry, and are out of control of their lives. Thank you.

[The prepared statement of Reverend Parker appears at the conclusion of the hearing.]

Mr. **Glickman**. A pretty powerful way to end this thing. Let me just make a couple of comments, because we want to allow about 10 or 15 minutes at the end for people to come up and talk.

There was kind of a common theme in your statement, Vicki Mork's statement, and Nancy Spiegel's statement. That is, under the Food Stamp Program, if you move in together, I think is what you said, relatives that move in together to economize, it works against you from the standpoint of food stamps.

It is almost kind of prejudiced against families that we sometimes see under Federal law. I thought that was a kind of an interesting point, and I would also make a point that farmers produce their food, they toil the soil for the specific purpose of why you are here, so that people can eat and be well fed.

And, even with all the problems, we are the best fed people in the world, and we can produce much more than we use here, and we share that bounty around the world. And, the Food Stamp Program, it is no secret why it is tied to the farm bill, it is tied to the farm bill, because, one, it gives a good combination of votes, urban and rural interests, and consuming and producing interests.

But, it also ties the circle together. You produce food so that people can eat. And, if you have hungry people in society, you provide a program to provide them with food. And, the Food Stamp Program has done more than anything else to eliminate malnutrition in America. There is no question about it.

It is demonstrably shown in all sorts of studies that it has dramatically reduced hunger, and we had some fraud, early on, and we got rid of most of the problems in the program, not to say there are not a few, but I think that the points here, are very well taken.

And, as we try to make sure we have farmers who can economically survive, one of the reasons they are doing so, is to make sure that you can eat, and all of us in this room have that stable food.

Mr. Roberts.

Mr. **Roberts**. I would like to echo your comments, Mr. Chairman, and I want to thank these witnesses for taking their time.

I am sorry, Robert, that you are last on the list, but, certainly, your remarks will not be considered in that fashion.

You must be doing something right. The gentleman who sang the Battle Hymn of the Republic at my mother's services when she passed away, several years ago, requested when we tried to pay him a sum for that service, that we send our contribution to Venture House. And, I think, that probably stands you in good stead on the part of many citizens who admire the work that you are doing, sir.

Reverend **Parker**. Thank you, Congressman. If you would like to give this audience our address, I would be——

[Laughter.]

Mr. **Roberts**. I think, if anybody would like to take to Mr. Parker, in that regard, why, it is always more blessed to give than to receive, whether we are talking about deficiency payments, or food stamps, or whatever. I want to thank you, again, for your contribution.

I, especially, want to thank all our guests. We are not wrapped up, in terms of somebody who wishes to come down and comment, but I, especially, want to thank my colleague for taking of his time to come up here on a very cold day.

Mr. **Penny**. It was colder in Minnesota. I came here to get away from it. [Laughter.]

Mr. **Glickman**. Mr. Penny.

Mr. **Penny**. I just want to thank the panel for their presentation. It is important to hear firsthand experiences with the program. We do not write good policy, unless we understand how it is implemented at a very personal level.

I was also impressed with Ms. Mork's remarks about TEFAP. I mean this as no insult to you, as someone who is involved in social services, but so often, at the national level, when we speak with advocacy groups, everything is a priority, and everything has to be funded, and, clearly, even on the domestic agenda, where there are a long list of needs, some programs work better than others.

I think your suggestion that TEFAP is not as targeted and is not as necessary now as it was several years ago is a helpful suggestion. Because with limited resources at the national level, if we are going to do a better job with the programs that do work, we have to find those resources elsewhere, and so, I appreciate your making that observation.

Mr. **Glickman**. Thank you very much for your testimony. We have a few minutes, and I would like anybody who would like to speak—I know there is one here, and one back there. Gordon, I think. Just come on up as far to the front as you can, and we would ask you to keep your remarks as brief as possible. Maybe what you ought to do is, anybody who wants to, just come up here and sit up front.

We have one, two, three, four, five. That is about right. So, if you would just state your name and where you are from. I do not care how we begin.

STATEMENT OF GORDON W. SCHMIDT, FARMER, INMAN, KS

Mr. SCHMIDT. I kind of feel like the small calf at the end of the trough. To create impact, he, either has to form an alliance with a big bull at the front, or crawl in the trough and make a scene. I will not do either of those today.

To the point. I am Gordon Schmidt. I farm in the Harvey, Reno, McPherson area, and I have some of my friends with me today. We have a simple, brief overlay, of what we think as independent farmers. I am not here to represent any particular group.

Obviously, the target price is very key and central to this whole program. So, we support raising the target price, or, at least freezing it, and then relating it to the cost of production. That is one of the real keys, cost of production.

Flexibility, basically, we really favor, although we would like to have more research done on all the repercussions of that. But, we would really like to have that kind of flexibility.

And, we think that, generally, farmers will plant the kind of crop that do work in their area. I do not think that you need to be afraid of huge switches that really skew the problems of wheat farmers, and so on.

Means testing, basically, we are not in favor of. I think it is going to create more paperwork, and more accounting problems, and if you have that as the only option, the $100,000 limit is definitely out. $500,000 could possibly be looked at, but the $100,000 is out. There are too many efficient farmers above that.

The Soybean Program, basically, we encourage the graduated equity loan proposal. This program would be relatively low cost, and it fits well with the trend toward flexibility.

Crop insurance. I would like to emphasize that. I think farmers should be responsible for insuring their own crops. We are in other areas, so why should we not here. Basically, what we want to make sure of is that Government expenditures for premium subsidies should not jeopardize, I want to emphasize that, should not jeopardize other price support programs.

The environmental issue is the final issue. I want to really compliment Representative Roberts on his article that was printed in the High Plains Journal. Very good and to the point.

Farmers are very much concerned about environment. Farmers use crop protection chemicals, only to the extent that they need to, and farmers are continuing to look at ways to cut costs. It is very important that Congress use scientific fact when deciding the fate of a chemical.

And, finally, we would like to warn, I guess, against media hype, and sensationalism, that do not use common sense. We, as citizens, must rely on you, the Congressmen. And we want to welcome you, Mr. Penny, to our district, and we rely on you to make sound scientific decisions that affect all of us.

Thank you.

Mr. **Glickman**. Thank you, Gordon. Who wants to go next? Yes, why do you not go ahead.

STATEMENT OF CLIFFORD R. OLENHOUSE, MARKETER, CROP INSURANCE, FRED S. JAMES CO.

Mr. **Olenhouse**. Mr. Chairman, Congressmen Penny and Roberts, I want to welcome you to Wichita, and thank you for the opportunity to present some viewpoints. I am here to represent some viewpoints on Federal crop insurance.

I am Rex Olenhouse from Erie, Kansas. I am the marketing representative for Fred S. James Co., who is under contract to market Federal crop insurance, multiperil crop insurance.

By and large, I will make my statement very brief, and I have some material to submit to you. By and large, crop insurance is not as sick as you were led to believe. For instance, a recent telephone poll was 87 percent for crop insurance, 13 percent against crop insurance.

If you allow for a 50 percent error margin for those in favor, and a 50 percent downward for those in favor, and also a 50 percent upward error for those against, you will still come out with a 2 to 1 vote in favor of maintaining crop insurance.

Throughout this hearing, crop insurance has been mentioned several times, mostly favorable, with some reasons for readjustment.

The main thing, I think, that Congress is concerned about, and we in marketing are concerned about, is the lack of participation in crop insurance. I would like to make some of my comments directed to that position.

Things that could be done immediately to increase participation is the total elimination of disaster programs through ASCS offices, however, we do not think this is going to happen.

If Congress chooses not to eliminate the disaster programs, then it should be tied to the Federal crop insurance participation for the year involved.

For example, a disaster is declared for 1991, to be eligible, a farmer must have the insurance contract in force for the crop in 1991, not for the following year, as now is required.

The following year requirement has turned out to be a real problem for everyone concerned.

The first point I would like to make is, Federal crop insurance had to extend their sales season by 60 days, which, in itself, has caused an unsound position, as far as actuarial principles are concerned.

The second point I would like to make, ASCS in many counties had such a large workload, because of their other programs, that they did not get the producer's letters to the producer in time to meet the extended crop insurance deadline.

The third point I would like to make is whether this was by design, or because of the large workload, some farmers were required not to sign up, while the others were. In other words, ASCS waived the requirement after a certain time. This leaves a bitter feeling to the farmers.

Mr. **Glickman**. Can you possibly finish in about 1 minute?

Mr. **Olenhouse**. Yes, I sure can. Most of the things that——

Mr. **Glickman**. And, if you have a statement and you want to give it to us, we would be glad to take it.

Mr. **Olenhouse**. Yes, I will give you that, sir. Most of the things under the present Crop Insurance Program can be adjusted under the present bill, the Crop Insurance Act of 1980. Management has those tools at their hand, but it may take a watchdog by Congress to see that they do that.

I will submit my statement to you, sir. And, letters from two area bankers, very much in favor of crop insurance.

Mr. **Glickman**. We will include that as part of the record.

Mr. **Olenhouse**. Thank you.

[The prepared statement of Mr. Olenhouse appears at the conclusion of the hearing.]

Mr. **Glickman**. And, we will make sure that Mr. English, who Chairs the appropriate subcommittee, gets it, as well.

Yes, sir.

STATEMENT OF STEPHEN J. LANGE, FARMER, CONWAY SPRINGS, KS

Mr. **Lange**. I am Stephen Lange, a farmer from Conway Springs, Kansas. The gentleman on my left raised several points that I was going to mention, so I will not repeat. But, a few other comments.

General policy, and theory is, I have a hard time thinking of anything after food, or after air and water, that we need worse than food. So, why are we not willing to pay significantly for food.

Food is very important in the world events. Was it our military might, or the need for food, that was more influential in causing the recent dismantling of the Communist empire that we are seeing.

I subscribe to the theory that the American farmer, and the American consumer, have an implied contract, with each other, that is called the cheap food policy. And, the short version of it goes, "Either allow the farmer to recover his costs, and make a reasonable profit in the marketplace, or else make that up, what it does not make through the treasury."

And, some smaller points. Environmental costs. If this is going to add to our costs of operation, or if it is going to be deducted from our target payments, I venture that the American public should help us pay for these costs.

We are greatly much more in need of conservation money due to the 1995 program, I have personally applied for conservation benefits to do conservation features in the last 2 years, and none of them have been approved.

I am as much for conservation as anyone, but, if we are only temporary stewards of the soil, let us let all of the present generation, and even some of the succeeding generations help pay for this cost.

Another sore point is the same reaction that I am getting lately in the ASCS programs, is when I go to the elevator, if my grain is not just quite right, the elevator is quick with the discounts, and slow with the premiums.

I am seeing all discounts at the ASCS office lately. Gramm-Rudman, and another one the fact that PIK's, or whatever you call them, the certificate is only worth about 95 percent of the face value, now.

I did look into redeeming some of the overpayment on deficiency charges that we had incurred at the ASCS office. I offered to give them my PIK certificates at face value, and they refused to take them at face value to pay off these charges that are pending against me. So, I do not want this to go on too much longer, or they might earn the nomenclature of funny money, which maybe they already have.

And, so I will not burden you with any more thoughts, other than the importance of food, which we are all aware of, and I hear, in this committee, that, yes, we are in the minority, we are all in the same boat, a minority, but as I opened my talk, we are dependant on food, and the tumble weeds will blow in the big cities, just like they do in the small towns, without food.

[The prepared statement of Mr. Lange appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much. Yes, sir.

STATEMENT OF C.J. LIVINGSTON, FARMER, GRANT COUNTY, KS

Mr. LIVINGSTON. Gentlemen, my name is C.J. Livingston, and I have something in common with both of you gentlemen, Mr. Roberts, and Mr. Glickman, because we operate a farm in Grant County, Kansas, and I also operate a small ranch in Butler County.

I can agree with Nancy Spiegel, who gave that talk about the wife. My wife owns the land in Grant County, all I do is farm it, but we have to commingle the proceeds. So, she gave a good talk, there.

And, Mr. Glickman, I also write an article for a couple of farm papers, called Ag Talk. And, you mention a survey had been taken, Mr. Glickman, and in my AG Talk of January 27, that was taken in Illinois, in the soybean, and farmers are divided about LISA, and I want to comment about that. You all guessed right.

In a survey of soybean farmers, 17 percent said they were using less chemicals than 5 years ago, 11 percent said they used more, 60 percent said they were aware of the LISA concept, but opposed to Federal program limiting chemical and fertilizer usage.

Twenty-five percent were in favor of limits. And, so when we come back to the program of low input sustainable agriculture, we see farmers are really shaping up on that.

Now, Mr. Roberts mentioned that there was something in the works of expenditures for this program. Let me say this that that is not a panacea for the ills of the environmental situation, today. And, also, in my article, I said, low input sustainable agriculture should not become the next USDA Farm Program to mandate, or encourage, reduced production.

World hunger is growing and is real, though it is difficult for many in the U.S. to understand the world hunger situation, with over 1 billion people going to bed hungry every night, and 15 million children starving each year.

Couple this with a doubling of the world population to an estimated 11 billion by the year 2050, gentlemen, and the demand for food will not allow U.S. agriculture to reduce food productions, as many environmental groups propose.

Now, I am not against the environment. We use it. The Government needs to focus this $52 billion agricultural budget, and brain power, on exports and incentives for farmers to produce food by working with private industry to utilize current technology to achieve increased production, balanced with environmental safety.

And, that I believe in wholeheartedly. Now, chemicals and environment will be the key to agriculture, and that is what you gentlemen were saying to us. And, the President, Mr. Bush, is calling for a safe food policy.

Environmental groups with widely varying agencies, have united on this issue. And, not only that, but they are well paid, they are articulate, and politically savvy professionals.

But, also on the side of commercial agriculture we have professional, well paid, articulate, and politically savvy individuals lobbying in farmers interest.

But, what we do not have is the backing of the public. And, that, the instance of the Alar scare, over the apples was one instance. One news report shut off the complete delivery of apples to daycare centers.

See, it is building on emotions, gentlemen.

Mr. GLICKMAN. We need you to finish in about 1 minute, because we got to close out here. They wanted us out by 1 o'clock.

Mr. LIVINGSTON. The chemical industry is doing something about that. Du Pont has a good research, and I am not plugging them. I am just saying that they are doing something about it.

And, this chemicalphobia presents a massive public relations tact for agribusiness.

So, thank you, gentlemen, for the time.

Mr. GLICKMAN. Thank you, and I have read your column before. Yes, sir. You are the last, last one, today.

STATEMENT OF MAURICE L. HUENERGARDT, FARMER, RUSH COUNTY, KS

Mr. HUENERGARDT. Last, but not least. Mr. Chairman, Mr. Roberts, and Mr. Penny, I am real happy to be here and testify. I appreciate all the comments that have been made prior.

But, anyway, my name is Maurice L. Huenergardt. I am a farmer. I live in Rush County. Typical western Kansas, or west, west central part. I am highly concerned about this price situation. I liked your two-priced system. I wonder if you could not expand upon this two-price system. If they want to export wheat at $2 a bushel, and a farmer wants to grow it for $2 a bushel, I mean, that is his prerogative.

I think, domestically, now all the things that we have been talking about are not obsolete, we all eat as much grain, wheat, corn, and so on, as we ever have. I think the farmer should be paid for that.

I would like to call your attention to an exhibit A, which I think is in your envelope. It is a preparation made by NORM, which is the National Organization of Raw Materials.

I take a great deal of confidence in the NORM organization.

At the top, you will see, 1946, where agriculture received 8.2 percent of the national income. The problems that we see today did not exist then.

A farmer was able to buy a car, or a tractor, or whatever, he was able to pay for it. He did not have to go borrow from the bank, and then hope to pay for it within 10 years. He was able to pay for it.

And, that was very important, and this is, I think necessary.

You look down in 1983 when the biggest amount of trouble exists in our country, the closing of banks, and all the bankruptcies, we received one-half of 1 percent of the national income.

There is where the problem lies. We need to get national farm income up. You can do away with all of these little complicated programs of crop insurance, and disaster, and all of this. The farmer should be able to handle his own affairs, and do it with his own management, which he has done, up until these last few years.

Mr. GLICKMAN. And, that will be part of the record, too.

Mr. HUENERGARDT. Like I mentioned before, I am concerned about rural America. If rural America is healthy, our country is healthy. And, we have many areas in rural America that are not healthy at the present time.

Where I live, near Otis, we have these businesses in these small towns closing. There is a double whammy. Low income, on the part of the farmer, which, you can not do anything, you can not wiggle, and then high taxes, so this has made a lot of difference.

The attitude, at the present time, in rural America, especially among the young people, is, they do not care. You look around, and you do not see too many young people here, today. And, there should be some young farmers testifying.

And, the attitude is just, I do not care, the heck with it. The heck with farming, and they say, well, if I can not make it, I am going to get out, and this is the kind of attitude which exists today in rural America.

I think that you have the ability to change this, and we are going to look forward to you doing this.

I would like to say, if you have a program going, and you need rural America to back you up, just get the word out. We will be glad to telephone, write letters, or what ever we need to do to give you the kind of support, which will put rural America back on the map like it should be.

And, in closing, one more plug. We can get along without daylight savings time. [Laughter.]

[The prepared statement of Mr. Huenergardt appears at the conclusion of the hearing.]

Mr. GLICKMAN. That may have been the most profound thing today. We thank you all for coming down. Again, all your statements will appear in the record, as if you have given formal testimony, today.

We appreciate all the witnesses for being here, as well as the audience. This is the final hearing before we go back and begin writing this bill.

We will have a few more hearings in Washington. Two more. One to consider the Export Enhancement Program, updates on trying to clean it up a little bit. And, general farm organizations will probably come in, again, to Washington. Particularly on the soybean issue, and a few of the other ones.

Then we will start writing, and hopefully the subcommittee will be finished, according to the chairman's directive, by the Easter break. I do not know if we will make it, or not, but that is our goal. To try to finish this by the second of April, in the subcommittee.

But, a lot of issues will not be resolved until we get to full committee. For example, the issue of flexibility is one that not only affects this subcommittee, but affects rice and cotton country, as well, and may affect peanuts and tobacco, to some degree, but mostly rice and cotton, and that may be reserved for full committee.

But, we will still get a lot done in the subcommittee, and this hearing has been very useful.

So, we thank you for coming out here, and the hearing is adjourned.

[Whereupon, at 1:20 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

Gary Hall, President
Kansas State Board of Agriculture

Mr. Chairman, Members of the Committee, my name is Gary Hall. I am President of the Kansas State Board of Agriculture. I am delighted to have the opportunity to present to you views of the Kansas State Board of Agriculture relative to the 1990 Farm Bill.

As you know, the Kansas State Board of Agriculture is an agency of the state of Kansas charged by statute with many functions. One of those is marketing and market promotion. In that area, the Board of Agriculture has been very aggressive over the past several years in promoting new markets for agricultural commodities in the form of industrial uses. We appointed a task force of public and private sector individuals. The task force reported to the 1989 Annual Meeting of the Kansas State Board of Agriculture on this topic. We have held conferences on this subject, encouraged changes in federal regulations and changes in the statutes to assist in industrial uses. We will soon be cosponsoring a national conference on industrial uses of agricultural commodities. This conference will be held March 14-16 in Washington, DC and is intended to bring a national focus on these industrial uses. It is cosponsored by more than thirty organizations. We invite your attendance and participation.

Specifically in this industrial use area, we would encourage the 1990 Farm Bill to address this topic as follows:

1. To have a title in the Farm Bill covering industrial uses of agricultural commodities.

2. To allow the planting of new industrial use crops without penalty under the farm program. Specifically, we endorse the recent action by USDA to allow the planting of industrial use crops on set aside acreage.

3. We support federal monies to be placed in commercializing industrial uses in such a fashion that these can be leveraged with state, local and private funds to target specific commercialization activity. Allow me to give you an example. Let us presume that research has shown that wheat starch contains different sized particles than other sources of starch such that there would be reasonable potential for the smaller starch particles of wheat to be extracted and used in cellophane to make it degradable. What is needed is funding from the federal and public sector to a private company to further develop and "tame" the technology so that it can be used in the marketplace. Funds would be solicited from federal, state, local and private industry to build a consortium to work and commercialize the process and get it to the marketplace as soon as technically and feasibly possible.

4. A national data base of industrial use research work should be created at the National Agricultural Library. There is a great deal of work being done around the world in this area, yet there needs to be one point of reference to tap so work is not duplicated but rather can be built upon.

5. National awards should be given to those developing the most innovative new uses of agricultural commodities.

Mr. Chairman, this of course, is not a new area. In May of 1935 a conference of agriculture, industry and science was held in Dearborn, Michigan to cover new, non-food uses, new crops and uses for farm wastes. In attendance were people such as Henry Ford, Charles Nash and nearly all leading farm organization figures. They created the Farm Chemurgic Council and pursued new industrial uses for several years. Going back even further, the Kansas State Board of Agriculture records show that in 1873 it got so cold and trees so sparse that people were burning corn to heat their homes. Yet, our record of accomplishments in pursuing industrial uses of farm commodities has been checkered. Each new effort has gained enthusiasm and support and then waned as farm prices improved. We need a long-term commitment to this area to create and enhance new markets for agricultural commodities. It's good for agriculture, it's good for the environment, it's good for rural development and it's good for our balance of trade.

We urge your support of this issue. I would be happy to respond to questions.

National Sunflower
ASSOCIATION

4023 North State Street
Bismarck, ND 58501-0690 USA
Phone: 701-224-3019
FAX: 701-224-2796
TWX: 910-677-2331 NATLSUNFL UD

Statement by Mark Beringer
Treasurer, High Plains Oilseed Council
Colby, Kansas

Subcommittee on Wheat, Soybeans and Feed Grains
Field Hearing February 16, 1990

It is a real pleasure to present testimony at this field hearing on behalf of the High Plains Oilseed Council, which has members in Kansas, Colorado, Wyoming and Nebraska and is affiliated with the National Sunflower Association.

The principle oilseed represented in our organization is sunflower. With Kansas being the sunflower state, it is fitting that I concentrate by testimony on this oilseed.

We have a very young sunflower industry which is concentrated in western Kansas. Acreage in this region has varied between 100,000 and 250,000 acres over the last five years. We see great potential for this crop in the High Plains because of sunflower's adaptation to this semi-arid region and increasing markets for a variety of sunflower products.

The biggest obstacle for this crop to expand in Kansas and other parts of the High Plains is the federal farm program. Sunflower cannot compete with farm program crops. Despite new flexibility options in 1989 and 1990, farmers and lenders are not willing to leave real (federal) money lying on the table even though sunflower can show better returns. Farmers distrust these flexibility programs which promise no loss of base. Sunflower acres go up when the wheat and feed grain ARPs are high, but go down in years such as this when the ARPs are low. Farmers have excess land in their wheat-fallow rotation with high ARPs. This yo-yo effect on production obviously is very negative for building consistent markets.

Sunflower is an excellent rotation crop. Long term rotation studies indicate that wheat yields can be increased by up to 30 percent when following sunflower. Sunflower mellows the soil and its deep tap root can break up a soil hard pan. It also decreases weed problems such as cheat grass in the following wheat crop. And it breaks up some of the wheat diseases that have plagued the wheat crop because of continuous production.

The deep sunflower tap root can pull moisture at levels to six feet giving the crop the reputation of being drought resistant. More importantly the deep tap root does extract nitrogen from deep soil profiles. Studies at a USDA facility in North Dakota, indicate that wheat-fallow rotations resulted in a build up of nitrates down to the ten foot level. But no nitrates show up in a in a three year sunflower rotation with wheat and barley.

Let me mention one more environmental benefit to this native North American plant. We are all familiar with the Oglala aquifer dropping in the High Plains because of apparent over use. According to results at the Southwest Kansas Branch Experiment Station in Tribune, Ks., sunflower yields were greatest with a maximum of three irrigations in one season. Many growers get by with just two irrigations with excellent yield results. I know many farmers with pivots who would like to put sunflower into a rotation to save water and irrigation costs, but cannot afford to forfeit federal program payments.

The last part of my remarks will center on the market. Oilseed demand world wide is growing at a rate of four percent per year, compared to about two percent for feed grains and wheat. The recent GATT finding that the EC oilseed subsidies are illegal may provide even greater market opportunities. By pushing U.S. oilseed acres lower or keeping oilseeds from equally competing with program crops, U.S. farmers are missing the greatest market opportunities of a large mix of commodities. Secondly, the edible or confection sunflower demand is growing rapidly domestically and internationally. Two processing plants have been built in western Kansas in the last several years and they can sell every kernel they can get their hands on. Prices are profitable but the yo-yo production affect is putting undue pressure on these facilities. In 1989, one of the plants had to contract production in Argentina and ship the product all the way to Colby, Kansas to meet previous sales contracts.

In summary, we are asking that sunflower be allowed to compete equally with program crops. Don't discriminate!
Let me list several areas that need to be addressed in the 1990 farm bill:

1. Flexibility is mandatory.
2. An income support device is mandatory.
3. Oilseeds need to be treated equally.
4. Market loans for oilseeds should be workable if a flexibility provision is available.
5. The American Soybean Association's Graduated Equity Loan program would also be workable if all oilseeds are treated the same.
6. The NCA concept could work but should allow for some adjustment for those farmers who have limited payment acres because of their previous commitment to certain rotations.

In closing, sunflower has a great future in the High Plains. It means processing jobs, extra part-time farmer income from seed sales. It can increase farm income by increasing wheat yields in the rotation and lower production costs. Give the crop a chance with reasonable farm policy.

KANSAS GRAIN SORGHUM PRODUCERS ASSOCIATION

LEGISLATIVE POLICY

The Kansas Grain Sorghum Producers Association supports the continuation of provisions of the Food Security Act of 1985 and other legislation necessary to:

1. Maintain farm income target prices at no less than the higher of
   (a) the 1989 levels or
   (b) the three-year U.S. average USDA-ERS full cost of production per commodity, including land costs, and 15% return to management.

2. Establish loan rates that do not interfere with market prices.

3. Allow producers the flexibility of exchanging their commodity bases up to 20% of their total farm base, provided it does not increase the total farm base acres.

4. Allow producers to retain their total farm base acres without being required to plant them to any program crops. Base acres should not be lost due to underplanting program crops.

5. Incorporate the following farm program concepts:
   a. Allow producers the option of proving their program yields or accepting the established county yields.
   b. Eliminate limitation of farm program payments.
   c. Prevent decoupling of feed grain payments from commodity payments but support the concept of 0-100.
   d. Continue the haying and grazing provisions of the present program.
   e. Reinstate income averaging for farmers' income tax assessment.
   f. Reinstate investment tax credit programs for farmers.
   g. Continue the farmer-owned reserve with storage payments for farmers at the same level as for commercial storage.
   h. Treat agriculture equitably with other businesses concerning capital gains tax laws.
   i. Make Federal Crop Insurance an option, but not a requirement, of farm program participation and treat farm units which are separated geographically or as irrigated and non-irrigated as separate entities for FCIC indemnities.

6. Manage production programs to assure the production of all commodities needed to fill domestic and export demand but not allow reserve or carryover stocks of more than 16% of a normal year's use of U.S. feed grains.

7. Use the Export Enhancement Program (EEP) for all U.S. feed grains and with all purchasing countries to assure U.S. export competitiveness and to maintain and expand the U.S. market share and to remove all surplus feedgrain stocks above 16% of a normal year's use.

8. Maintain an aggressive export marketing program through an expanded FAS Budget designed to increase export sales of U.S. agricultural products.

9. Continue current contract sanctity legislation.

10. Improve grain quality through FGIS standards based on scientific measures instead off subjective means.

11. Complete the CRP signup of no less that 40 million acres, and:
    a. Maintain the sodbuster and swampbuster programs according to the original intent of the legislation.
    b. Conduct a study to assess the harm to surrounding crop acreages from CRP land.
    c. Maintain the CRP land to control insect, disease, and weed problems.
    d. Manage the CRP allocation to minimize the adverse effect on rural communities.
    e. When land under CRP contract is sold and the new owner does not assume the CRP contract, the tenant should not be held liable for the repayment of any of the cost share assistance he has received if the new owner decides to put the land back into production.

12. Extend Conservation Compliance Program deadlines when plans call for improvements which are eligible for cost-sharing funds and those funds are not available

13. Protect and assure water quality standards supported by scientific studies, taking into account differences that are unique to each region, and maintaining local control.

14. Establish environmental protection programs which are based on unbiased scientific studies and which have a fair regard for the importance of agriculture and an honest assessment of the needs of agriculture.

15. Establish and maintain food safety standards based on scientific evidence.

16. Oppose the reclassification of anhydrous ammonia as a poisonous gas.

17. Promote the use of ethanol fuels made from agricultural products.

18. Continue rural economic development programs supported jointly by the USDA state departments of agriculture with direction from local governments.

19. Keep the Food Stamp Program in USDA.

20. Give research funding priority to projects aimed at immediate needs, such as:
    a. Cost-efficient production and sustainable agriculture.

b. New uses and increased utilization of commodities now in production.
c. Increased competitiveness of U.S. products in world markets
d. Establishment of scientifically proven acceptable levels of mycotoxins and other harmful substances associated with agricultural products.

22. Establish consumer education programs to be conducted by USDA to educate U.S. consumers to the comparatively low cost of food and to the importance of agriculture to the American way of life.

23. In the interest of providing and maintaining a choice of safer, effective crop chemicals, Congress should support research and technological innovation in the crop protection industry.
    a. They should not change data compensation provision of FIFRA.
    b. They should extend patent life of chemicals to begin when a product is registered.
    c. Before imposing restrictive reregistration standards, there should be an economic impact study conducted.
    d. Congress should aid development of new products and retention of existing products, especially on smaller acre crops where the recoup potential restricts new research or prohibits reregistration.

Kansas
Livestock
Association

6031 S.W. 37th Street • Topeka, Kansas 66614-5128 • Telephone: (913) 273-5115
FAX: (913) 273-3399
Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter.

STATEMENT OF THE
KANSAS LIVESTOCK ASSOCIATION
REGARDING THE
1990 FARM BILL

PRESENTED TO THE

WHEAT, SOYBEAN AND FEED GRAINS SUBCOMMITTEE

CONGRESSMAN DAN GLICKMAN, CHAIRMAN

PRESENTED BY

LYLE GRAY, PRESIDENT

FEBRUARY 16, 1990

The Kansas Livestock Association (KLA) is a voluntary trade organization with over 10,000 members. These members are predominantly cow-calf producers, purebred breeders, stocker cattle operators and cattle feeders. Many of these farmers and ranchers are diversified and operate grain and livestock enterprises.

Lyle Gray, from Leon, is currently serving as KLA President. Gray has a commercial cow-calf and yearling operation in eastern Butler County. His past experiences include managing purebred cattle ranches and a commercial feedyard. He also serves on the Board of Directors of the Ninth District Farm Credit Bank of Wichita.

On behalf of the Kansas Livestock Association, I want to thank you for the opportunity to present our thoughts and views on the 1990 Farm Bill. Our association is proud to have two Kansas congressmen on the House Ag Committee who will play an important role in the development of the 1990 Farm Bill. Thank you Chairman Glickman and Congressman Roberts for all your past cooperation. We look forward to working with you in the coming months on this very important issue. I'd like to briefly mention several portions of the Farm Bill that are of interest to us:

Grain Policy

We certainly don't pretend to be experts on the finite details of USDA grain programs. We will take a look, as we have in the past, at feedgrain program proposals to determine how they will impact the state's livestock *industry. As you know, we are a major user of feedgrains. On an annual basis, we feed over 4 million cattle, use over 180 million bushels of grain, 8 million bushels of soybeans, and 8 billion pounds of silage and hay. These statistics don't include the grain fed to our cow herds and stocker cattle. I think you can understand why we monitor any grain policy proposals. Grain programs have an impact on the state's livestock industry.*

As a whole, I think our members are fairly satisfied with grain provisions of the 1985 Farm Bill. This allowed our grain producers to supply an adequate amount of feed and offer some price protection. It appears to us that a continuation of current grain programs would be a sound strategy for the 1990 Farm Bill.

Dairy Policy

Perhaps dairy policy has been of the greatest concern to us over the past five years. The buy-out and paid diversion programs cost our industry millions of dollars, and we will strongly oppose any similar title in the 1990 Farm Bill.

It's been estimated that 20% of the beef produced in the United States is derived from dairy animals. If USDA pays dairymen to cull their herds, it will likely distort the normal marketing of dairy animals and put pressure on cattle prices. Our members have a strong philosophical problem with one sector of the cattle industry being subsidized to liquidate and cull herds while the remainder tries to move the product without price subsidies.

If the nation's dairy herd is too large, the culling should take place on a gradual basis by lowering the milk support price to market clearing levels that are more in line with supply and demand.

Haying and Grazing of Set Aside Acres

I'm sure you are aware of the sensitivity on the issue of haying and grazing of set aside acres. Many of our Kansas farmers and ranchers depend upon haying or grazing of ACR, CUA and diverted acres to compliment their livestock operation. KLA supports the current provisions that provide seven months of haying and grazing for producers who choose to comply and participate in farm programs. Perhaps this seven month restriction is the best compromise with those regions of the country that disagree on the use of idle acres for haying and grazing purposes.

High Moisture Grain

In recent years, the Kansas Livestock Association has aggressively sought more flexibility in the Commodity Credit Corporation, (CCC), loan programs for producers who harvest corn and grain sorghum in a high moisture stage. In the past, our producers would verify production through scale tickets, receive a recourse loan and immediately pay the loan back with CCC-6 certificates. This was commonly referred to as "Pik and Roll", and it allowed eligible producers to harvest their crop in the high moisture stage and still participate in the CCC loan program.

In the past, USDA has been very reluctant to initiate this program. We would hope this committee would give clear direction to the department on this matter when you finalize the 1990 bill.

Means Testing

It has come to our attention that discussions are under way to enact a threshold in the 1990 Farm Bill to eliminate payments to farmers that exceed a certain size category. The Administration's budget suggests the farm program payments be eliminated for farm operators with adjusted gross incomes over $100,000 per year or gross sales in excess of $500,000. We recognize the need to cut federal spending and that agriculture should do its part to solve the federal budget/deficit crisis. However, I think there are some basic questions that need to be asked on the means testing issue.

A $500,000 gross sales limit will catch a large number of Kansas farmers and ranchers. It would only take the sale of 580 fed steers for a farmer feeder to be eliminated from farm program benefits. We are trying to obtain more complete information on the "adjusted gross" determination but it appears this will impact many modest size grain producers who are diversified with a livestock enterprise.

Our office has received several calls during the past two weeks on the $2 million gross sales threshold in the 1990 Drought Bill. One person had a wheat operation and was a livestock dealer. His wheat crop failed but he received no benefit from the drought payments because his cattle business was counted in his gross sales.

It appears if we use an adjusted gross income as a threshold, that our county ASCS offices will be like the IRS and we will have to provide tax returns to show proof of eligibility. The last Farm Bill had a $50,000 limit and we saw there were many tricks and maneuvers to get around this threshold. I predict that if a $100,000 adjusted income level is established, we will see tax accountants and other professionals promoting plans to manage around this threshold before the ink even drys on the 1990 Farm Bill.

We have not studied this issue in detail nor adopted any formal policy position. I see the means testing issue as very sensitive and one of concern within our membership. I hope this committee will study it closely.

Again, we thank you for the opportunity to present our thoughts on the 1990 Farm Bill. I realize you have a very challenging assignment as you try to set ag policy for the next five year and meet the budget restrictions required by law. We simply ask that you make the programs as fair as possible and do your best to minimize any negative impact to Kansas producers, particularly the livestock industry. Thank you.

TESTIMONY OF ERIC NIEMANN
BEFORE THE HOUSE SUBCOMMITTEE ON WHEAT, SOYBEANS AND FEED GRAINS
UNITED STATES HOUSE OF REPRESENTATIVES
WICHITA, KANSAS
FEBRUARY 16, 1990

THE 1990 FARM BILL

Thank you Mr. Chairman and good morning. I'm Eric Niemann from Nortonville, Kansas where I farm soybeans, corn, and wheat, and have a cow/calf operation. I'm here today as President of the Kansas Soybean Association.

Soybeans are the fourth most valuable crop in Kansas and represent more than 10% of the state's total crop receipts for 1989. Last year, Kansas farmers harvested 50 million bushels of soybeans on 1.9 million acres. Our crop had a cash value of $265 million.

Soybeans have been important to Kansas farmers because they help farmers spread risk and diversify. We see tremendous potential for soybeans in the future as a result of recent developments in Eastern Europe and the Soviet Union. We also believe that a national checkoff - sponsored by you, Mr. Chairman, and which we are eager to see enacted - will create more new opportunities for soybeans both in domestic use and throughout the world.

However, we are concerned that U.S. farmers will not be in the position to profit from the growing opportunities because of rigid government programs that favor program crops and limit our planting choices. We're frustrated that our competitors in South America will be reaping the benefits while we get left behind.

Since 1979, foreign production of soybeans has increased steadily - an amazing 75 percent. At the same time, U.S. production has declined 17 percent. Our foreign competition adds 1.3 acres for every acre the U.S. cuts.

We believe that Congress must act now to reverse these trends. If we wait until the next Farm Bill is written in 1995, we may have waited too long and lost a valuable opportunity to reverse U.S. acreage loss, and discourage more foreign expansion.

By making the U.S. government the buyer of last resort, at a guaranteed price in the event of soybean surplus, current domestic farm policy encourages foreign soybean production. We remove surplus from the market to support the prices. This guarantees foreign soybean producers a price floor and a safety net against low prices. Meanwhile, the U.S. government builds soybean stocks, and then profits by selling them when prices eventually rise.

I participate in wheat and feed grain farm programs. But I also see that government programs for these and other commodities contribute to the decline in U.S. soybean production.

Although market prices signal a shift to soybeans, the more attractive returns from other crops because of government programs outweigh the market signals. It just doesn't make sense economically to change to soybeans. Farmers also don't want to lose their base acreage so we continue to plant for the program. Foreign producers, however, can and do respond to soybean market price incentives by expanding acreage and production.

Soybean farmers in Kansas believe a Graduated Equity Loan program for soybeans (GE Loan) can turn the situation around. We've worked with farmers across the country to develop what, we believe, is a fair and economically feasible solution to the problems we face.

The GE Loan program is built on a foundation of income protection and planting flexibility. A program for soybeans must include both. It provides farmers with an incentive to grow soybeans in response to the market and puts soybeans on a more equal footing with other program crops. It also places foreign competitors at greater risk by removing the price floor set by the current loan program.

Under the GE Loan program, farmers would be eligible for a loan based on target prices and ARP levels for corn and cotton. The percentage of a farmers' production eligible for the loan would vary, based on stocks levels. When stocks are high and prices are low, a larger portion of a farmer's production would be eligible. However, when stocks are low and prices are high, farmers would not need as much protection so that a smaller percent of production would be eligible for loan. A portion of the farmer's crop would always be at market risk.

Farmers could repay the loan at the lower of the posted county price (PCP) or the county loan rate. To avoid government stockpiles, farmers would give up the right to forfeit their crop as payment of the loan. Since the government would never own soybeans, farmers - not the government - would profit from price increases.

With a near perfect soybean crop in South America, farmers in the U.S. are looking at low range soybean prices for the year ahead. Many soybean farmers in Kansas and other areas experienced limited production of soybeans in the past two years due to weather related problems. Farmers facing low prices, and low yields need a program that will help them through these difficult times.

At the same time, we need some flexibility in planting that will allow us to rotate crops for the best use of our land. We need some freedom from the threat of losing our bases.

We believe that the Graduated Equity Loan will make it possible for us to continue farming soybeans by providing both the income support and planting flexibility that we need. This is a program that will benefit farmers both in Kansas and around the country.

We believe changes must be made in farm policy that create a more level playing field, that give soybean farmers a chance to compete with producers around the world. We believe the Graduated Equity Loan would provide us with that opportunity.

Mr. Chairman, we look forward to working with you and members of this Committee in finding solutions to the problems we face. I appreciate the opportunity to be here today and will be glad to answer any questions.

Statement by Alan States
Second Vice President, U.S. Canola Association

Subcommittee on Wheat, Soybeans and Feed Grains
Committee on Agriculture
U.S. House of Representatives

February 16, 1990

Good morning, Mr. Chairman and Members of the Subcommittee. I am Alan States, a wheat, sorghum, sunflower and canola grower from Logan, Kansas. I am appearing today on behalf of the U.S. Canola Association, which I serve as Second Vice-President.

Lets talk about the farm bill. The 1985 bill farm bill went a long way toward addressing the problems of the previous bills. It is not a supply management program, nor is it a price support program. It is a transitional income support program.

It protected the income of the farmers with target prices and deficiency payments. It encouraged the sale of production by lowering loan rates to levels below market prices and it got rid of surpluses with PIK.

It has been attacked because it was too expensive. But I would argue that it was not the 1985 farm program that was expensive. It was the 1981 farm bill, with its high non-recourse loan that allowed the building of surpluses, loose rules that allowed the building of bases and yields, and the loss of our market share, that was expensive.

The 1985 bill was only expensive in the first few years because it paid for the sins of the 1981 law.

All in all, the 1985 bill is a good bill and I congratulate you for your efforts.

However, it has two major flaws. It lacks flexibility and it is not crop neutral.

Just a few years ago, the U.S. was the largest exporter of oats in the world. The price of oats went to $4.00 a bushel, still, planting fell and the U.S. imported 65 million bushels of oats.

Just a few years ago, the U.S. produced 5.5 million acres of sunflowers. This last year it produced approximately 1.5 million acres. I am told that Kansas confectionery sunflower plants had to import seed from Argentina to fulfill their contracts.

What ~~whet~~ went wrong? The current farm bill does not let market signals pass through to the farmers. Production is locked into historical patterns based on past plantings and yields. The planting of alternative crops such as canola is discouraged.

The 0/92 provisions were a step in the right direction. Farmers who underplanted only suffered a small loss of deficiency payments and their crop bases were protected.

Farmers need flexibility to address weed and disease problems, weather and climate changes, technological advancements, environmental and conservation concerns as well as to respond to changing market conditions.

In order to achieve the full flexibility that farmers need, some form of substitution must be allowed. I would suggest that any concept, such as one using Normal Crop Acres, could be workable if it met two tests.

1. Growers must be allowed, without restriction, to plant any program crop, oilseed or any other crop that is not specifically restricted as long as the grower complies with any Acreage Reduction Program (ARP) that may be in effect for his historical crop. This would addresses the flexibility issue.

2. Growers must receive full deficiency payments based on their historical bases without regard to what crop is actually planted or underplanted. This would address the issue of crop neutrality.

The importance of passing both of these tests cannot be underestimated. Currently farmers are allowed to substitute sunflowers or canola on twenty-five percent of their base. However, due to the loss of deficiency payments the substitution will not occur even in the face of falling wheat and feed grain prices. The current law is definitely not crop neutral as evidenced by the situations that have occurred with regard to oats and oilseeds.

Another area of concern that must be addressed is crop insurance and disaster aid. The current crop insurance program is NOT workable. The disaster aid proposal of the administration has some major flaws. Specifically, it is based on a county by county designation.

I have included in my written comments a plan that I call a Self Help Investment-Insurance Plan (SHIIP) that would allow farmers to build up insurance and cash reserves for use in case of disaster. I believe that it would provide better protection for individual farm income than the current MPCI program. At the same time it would cost the treasury less than either the current subsidized crop insurance program or disaster aid.

Mr. Chairman, that concludes my comments. I thank you. Are there any questions?

(Attachment follows:)

Self Help Insurance/Investment Plan (SHIIP)

Presented by Alan E. States
to
Subcommittee on Wheat, Soybeans and Feed Grains
Committee on Agriculture
U.S. House of Representatives

February 16, 1990

Drought struck large areas of the United States in 1988 and 1989. Huge losses were sustained by many agricultural producers. Congress passed drought relief legislation. Disaster assistance was given to farmers.

The drought of 1988-1989 was not the first disaster experienced by U.S. agricultural producers. It will not be the last. Losses will continue to be suffered each and every year in some sector of the U.S. agricultural economy. Sometimes these losses will be on a national scale as in 1988-1989. However, in most instances, the losses will be on smaller scale and will not receive the attention or assistance given to those that suffered in 1988.

Federal disaster aid is, by its nature, inappropriate in most cases. It must deal with broad generalities, has difficulties in addressing specific problems, is slow in response time and is only available if the problem is large enough to have political consequences. Individuals suffering similar losses outside of the area or time of interest are not treated equitably.

Another method of relief must be formulated.

Efforts by the United States government to get farmers to enroll in the multi-peril crop insurance (MPCI) program have failed. The coverage is not available in all instances. Many farmers do not choose to enroll because for them the program is actuarially unsound.

Farming is a high risk business. This truism addresses the heart of the problem. Large areas of the country will certainly experience losses in any given year. However, losses will occur each year in smaller regions and yields will vary greatly from farm to farm even in the same locality.

Yield variances are not all weather related. Farming practices differ greatly from farmer to farmer. Timeliness of farming operations, no-til practices to conserve moisture, crop rotations and variety selections all play a major roll in yield determination. Some farmers are better managers than others and as a result their yields show less variance from year to year.

The current multi-peril crop insurance program discriminates against these good farmers. If, by good management, their yields are stable and vary only 30 percent from their individual average these farmers will seldom benefit by enrolling in the current multi-peril crop insurance program. However, if their neighbors have highly variable yields they will collect a high percentage of the time. The resulting loss experience will be factored into the actuarial tables and the rates will be raised accordingly. As a result the more stable farmers will rationally choose not to obtain the insurance. High loss operators will continue to enroll. The current program was designed to fail and it is doing what it was designed to do.

The objective is to design a program that eliminates the need of periodic governmental disaster aid to the agricultural sector of the economy. The program should be designed to benefit those producers that have demonstrated good management ability and should not reward those that have made poor management decisions. The program should be of minimum cost to the government.

Currently many farmers have chosen not to purchase MPCI. Due to the shortcoming of the current program this may be a rational business decision. Given the difficulties of developing adequate MPCI that covers all segments of agriculture it may continue to be a rational business choice. In effect many farmers will continue to self insure.

Farmers can self insure by building up cash reserves, carrying over production, maintaining low debt to asset ratios and other conservative business practices. However current tax policy is an impediment to these actions. In addition it may be physically difficult to carry over stocks of farm products.

It would seem reasonable that farmers should be encouraged to build up cash reserves that could be used in times of stress.

This could be accomplished by allowing farmers to set aside a portion of their sales for deposit directly into a Self-Help Insurance/Investment Plan (SHIIP) account. These deposits would be deducted from income for the year that they were made. Any withdrawals would be treated as income and would be taxed as such.

Deposits could be made into any interest bearing FDIC insured account. SHIIP deposits must not be speculative in nature.

Alternatively, as a major impact of the SHIIP would be on federal tax revenues the funds could be deposited directly into accounts with the U.S. Treasury using a system similar to that used for Federal Tax Deposits.

If the funds were required to be deposited with the U.S. Treasury the deposits should earn interest equal to the YIELD on 6 month Treasury Bills.

In either case interest should be paid at least semi-annually and statements should be provided at least annually. Interest, like principal deposits, would not be taxed until withdrawn.

While it may be politically desirable to limit the amount deposited or place restrictions on withdrawals there is little economic justification for such restraint. The plan would encourage savings, dampen the impact of individual losses and reduce the pressure for disaster aid.

If limits were placed on SHIIP account balances they could be equal to a portion of sales or a multiple of annual income. Reasonable restrictions could be computed but all the actuarial problems of MPCI would be encountered. A surtax (i.e. 5%) could be imposed if net withdrawals in any tax year plus that years sales exceeded 100% of average annual sales. Again the numbers are arbitrary and any restrictions on withdrawals would not be desirable. The plan should be kept as simple as possible.

Another advantage to the SHIIP is that it addresses the needs of farmers and ranchers who have highly variable incomes and who are not eligible for MPCI. For example, a rancher who faced herd liquidation due to drought could deposit the funds into his SHIIP account. Later he could use the account to rebuild his herd. In addition it addresses the needs of producers of specialty crops that may not fit other insurance plans.

The United States currently is experiencing a low personal and business savings rate. Debt is high in relation to income. This situation places the economy at risk should there be any major economic downturn or other disaster. Any plan such as the SHIIP would reduce risk, encourage savings and promote the long term well being of individuals and the nation. Such a plan could be initiated in high risk areas such as farming and ranching and when fully developed and proven could later be expanded throughout other sectors of the economy.

The one weakness of the plan concerns those farmers that suffer a loss before they can build up adequate reserves to mitigate the damage. In those cases the plan can act as an insurance program by allowing borrowing from the U.S. Treasury (using those funds currently used to subsidize MPCI) by producers that have previously contracted to obtain borrowing privileges. This is the area most subject to abuse. This risk can be reduced by limiting borrowing to a portion of proven historical production on an individual basis and by making the borrowing privilege subject to review by local ASC boards. In any case the moral hazard (fraud), and therefore cost, should be less than under the current program.

SELF HELP INVESTMENT/INSURANCE PLAN (SHIIP)

SECTION I (INVESTMENT)

Participants be allowed to deposit any portion of their gross sales into SHIIP accounts until the balance of the participants SHIIP account(s) equals 120 percent of the participants projected annual sales. The amount deposited to the SHIIP account would be deducted from the income of the participant in the year of the deposit.

SECTION II (WITHDRAWAL)

Participants could withdraw funds at any time from their SHIIP account. The amount withdrawn from the account would be taxed as income to the participant in the year of the withdrawal.

SECTION III (INSURANCE)

Participants whose income was reduced due to drought or other disaster and whose SHIIP account balance was not at a level to adequately mitigate the disaster could without interest or recourse borrow from his SHIIP account (via U.S. Treasury, FCIC account) an amount that would bring his gross income up to 60 percent of his projected annual level, PROVIDED:

THAT, the participant had at least 10 months previously or within 60 days of his first initiation of production, whichever occurred last, entered into an agreement to deposit into his SHIIP account not less than 7 percent (or other higher amount that may by regulation be set) of his gross sales until such time as his SHIIP account balance exceeded 65 percent of projected annual sales and,

THAT, the participant sell prior to any borrowing all inventory carried over from previous production (except seed or breeding stock), and

THAT, the participant carried out his production efforts in a timely and workmanlike manner as determined by a board of his peers (local ASC committee).

SECTION IV (DEFINITIONS)

PARTICIPANT: an individual or entity for tax purposes (i.e. having a tax identification number or social security account number and made eligible to participate by producing agricultural products.

PROJECTED ANNUAL LEVEL or PROJECTED ANNUAL SALES: The documented immediately consecutive prior years (up to 14 years) production (bu. lbs. cwt. Mkg. etc.) divided by units (acres, head etc.) in production in those same prior years multiplied by units (acres, head etc.) in production in the current year multiplied by local market price.

Example:

YEAR	PRODUCTION		UNITS	
1988	4500 bu		100 ac	
1987	4300 bu		80 ac	
1986	5000 bu		90 ac	
TOTALS	13800 bu	/	270 ac	= 51.11 bu/ac

1989 51.11 bu/ac weighted average yield
x 110 acres planted for 1989 harvest
x $3.62 price at harvest

$20,352.00 Projected Annual Sales

LOCAL MARKET PRICE: The price that was immediately available to the producer had the product been available for sale (i.e. the price at harvest).

SHIIP ACCOUNT: An account with the U.S. Treasury paying interest equal to the YIELD on 6 month Treasury Bills or an interest bearing account fully insured by the FDIC. Said accounts to be specifically designated as SHIIP Accounts. Interest on the average account balance to be paid at least semi-annually. Interest earned on the account would not be taxable until withdrawn.

Kansas Association
Of Wheat Growers
"ONE STRONG VOICE FOR WHEAT"

TESTIMONY

HOUSE SUBCOMMITTEE ON WHEAT, SOYBEANS AND FEEDGRAINS
U.S. Representative Dan Glickman, Chairman

Wichita, Kansas - February 16, 1990

1990 FARM BILL

Mr. Chairman and members of the committee, my name is **Howard Tice**, and I am **Executive Director** of the **Kansas Association of Wheat Growers**. On behalf of our **President, Bob Deyoe of Ulysses**, who was unable to be here today, and our **membership**, I thank you for the opportunity to present our views concerning the **1990 Farm Bill**.

The **Farm Bill** is a many faceted piece of legislation. I will cover the various issues in the same order the delegates to our annual convention addressed them in our official policy resolution.

First and foremost, our members feel strongly, that the **1985 Food Security Act** has worked well, and that its basic structure should continue in force, as the basis of the **1990 Farm Bill**. However, time and circumstances mandate some changes, or what is often referred to as *"fine tuning."* The following are our recommendations to *"fine tune"* this legislation for the next five years.

__FLEXIBILITY:__ The **KAWG** recommends adoption of an **All Crop Base**, including support crops and non-support crops, to replace the program crop bases. Such a plan would allow the planting of any proportion of a farm's crop base, to any crop - and would merely idle a percentage of the land. This would allow the marketplace to dictate which crops to plant each year. This would also end the need to continue producing surplus crops in order to protect that commodity's base.

The **All Crop Base**, or similar substitution program would also allow crop rotations that would allow natural control of weeds and insects, and reduce the need for commercial fertilizer. This would reduce production costs, and meet the demands of environmentalist groups, for reduced chemical usage. Better crop rotation would also serve the need for increased soil and water conservation and enhance wildlife preservation as well.

__ARP SET-ASIDE:__ The **KAWG** recommends raising the set-aside requirements for the **Acreage Reduction Program to 20%**, with a **Paid Land Diversion** on all acreage above **10%**. Future reductions in set-aside requirements should be limited to no more than **5%** per year.

__TARGET PRICES:__ The **KAWG** opposes any further reduction in **Target Price** levels, to keep the program from becoming ineffective as protection of farm income. Future levels should be set at no less than the cost of production as determined by the federal government's **Agriculture Cost of Production Standards Review Board**. The formula for determining **Target Price** levels should also include a specific fair value for the farmer's labor and management. The **KAWG** further recommends deletion of the sunset clause which would terminate this board, continuing it in operation until such time as it is no longer needed.

Our members also feel that whenever the federal government circumvents the existing farm program in any manner, causing market prices to fall, **Target Prices** should be immediately raised, and the $50,000 payment limitation should be waived on the increase.

LOAN RATES: The **KAWG** recommends that loan rates be kept low enough to keep U.S. prices competitive in international trade.

ACREAGE BASES: Underseeding should not endanger acreage base history. Current policy should be followed in setting bases, but county committees should be allowed more latitude. In addition, the **ASCS** should use a 2 year history to reduce book work and increase the farmer's ability to adjust acreages when necessary. The **KAWG** further recommends continuation of the 5% tolerance concerning overplanting, with no reduction in payments when planting is below both permitted and certified acres.

YIELD DETERMINATION: The determination of yield averages, for the purpose of farm program payments, should be handled by the **County ASC Committee**, with the right to appeal to the state committee in the event of disagreements. The **KAWG** also urges inclusion, in the **1990 Farm Bill**, of a provision for proving yields.

Experience with crop adjusters has shown that is it easier to prove production yield figures using scale tickets, than it has been with **ASCS** offices, using elevator ledger sheets. Therefore, the **KAWG** encourages the **ASCS** to relax its treatment of scale tickets and binned grains, so that the **ASCS** treatment is consistent with the **Federal Crop Insurance Program**.

HAYING AND GRAZING: The **KAWG** feels it is essential to continue haying and grazing of set-aside acres as part of the **1990 Farm Bill**.

CROSS COMPLIANCE: The **KAWG** supports limited cross compliance. The **KAWG** recommends that purchasers or new owners of tracts of land acquired after 1990, which are out of conservation compliance, should be allowed a period of 5 years to bring this land into compliance, without loss of farm program benefits to the new owners, on land already in compliance.

CONSERVATION RESERVE PROGRAM: The **KAWG** feels the **Conservation Reserve Program** should be extended for another 10 years after original contracts expire, with bid rates tied to the **Consumer Price Index**. In addition, bid prices and total acres accepted should be increased. The accepted bid level for continuous cropland should be raised to more accurately reflect the income producing potential of the land.

The **KAWG** opposes any reduction of payments, as a result of legislative or administrative actions, after a contract is signed. Contract should run full term. In the event of worldwide food shortages, or weather disasters, the **USDA** should only be allowed to release 10% of **CRP** acreage, and only on a voluntary basis.

EXPORT ENHANCEMENT: The **KAWG** recommends aggressive utilization of, and increased funding for programs to move grain in the export marketplace, including the **Export Enhancement Program**, PL-480, GSM-102, GSM-103 and similar programs. Any action to jeopardize these programs should be opposed.

FARMER OWNED RESERVE: The KAWG recommends the Farmer Owned Reserve be kept at a low level.

FEDERAL CROP INSURANCE: The KAWG recommends a Federal Crop Insurance Program that is simple and easy to understand -- and that will cover a farmer's and a landlord's fixed and variable costs -- at an affordable premium rate -- and preferably based on dollar-value coverage.

PAYMENT LIMITATIONS: The KAWG recommends that:

A. Person determination should be made by the local county committee at least two weeks prior to the end of a contract sign-up period. If that is not accomplished, the person determination should remain as it was the previous year.

B. The Secretary of Agriculture should leave, unrestricted, the non-program crops which can be planted on reduced set-aside, because of the $50,000 payment limitation. Delays in person determination should not impinge on a producer's option to plant on reduced set-aside acres, in a timely manner.

C. To speed up the appeal process, the USDA should empower state ASCS offices, or a special State Person Determination Board to make person determinations.

The KAWG also recommends that the USDA revise its method of defining a farmer, or increase the base income figure to a level which more accurately represents those who earn all or a major portion of their income from the sale of agricultural products. The KAWG also favors any effort to eliminate payment limitations based on *"per farm"* or *"per operator"* basis, except in the case of foreign owners or non-farm corporations.

ENVIRONMENTAL ISSUES: The KAWG supports an increase in the agricultural research budget. However, new LISA research should come from new funding, and not at the expense of current agricultural research programs.

The KAWG recommends that legislation be enacted to institute a *"negligible risk"* level for chemical residues. Scientific research should also be utilized to determine the level or public risk that should be allowed.

The KAWG will strongly maintain the stance that farmers should not be held liable for chemical damages unless it can be proved that label directions were not followed -- and that if chemical damage occurs when label directions are followed, that the manufacturer and regulatory agencies be held liable. Furthermore, no farmer should be held liable retroactively, for use of a product which is approved at the time of use, but banned at a later date.

The KAWG also maintains that when farm chemicals are evaluated by the government, cost effectiveness and realistic risk/benefit rations should be considered, and if farmers are placed in a noncompetitive position *"for the public good,"* they should be compensated for the reduced efficiency and increased production costs.

Perhaps the most important facets of the 1990 Farm Bill will be the level of Flexibility which will be allowed; the level of price supports, or Target Prices; the Federal Crop Insurance Program versus disaster payments; and Environmental Issues.

Flexibility is one of the most important key words in the farm bill debate, because even the best farmer/managers can be better if they are allowed to be. The use of ***"Best Management Practices,"*** including better crop rotations, allows the farmer to be more efficient, and get the most return from input costs. It also allows the producer to react to changes in market conditions and consumer demand, thus reducing the threat of price depressing surplus stocks.

"Best Market Practices" also include soil and water conservation measures that are impossible to incorporate under current farm programs, because of restrictive crop base histories.

In addition, many crop rotation programs allow the farmer to rely on natural recharging of soil nutrients, reducing the reliance on commercial fertilizers. Some crop rotation sequences also provide natural weed and pest control which reduces the use of synthetic crop protection chemicals. In both cases, the producer realizes a savings in production costs, and is an even better steward of our natural resources of soil and water, in the eyes of the consuming public.

It must also be noted; however, that ecological conditions in many areas limit the scope of crops which can be produced, and the tillage practices which can be utilized. The farm program must be flexible enough to recognize the difference in ***"Best Management Practices"*** from one area to another.

Political realities suggest a shift away from dependence on crop disaster programs. There are good arguments in favor of disaster programs. The nation's food supply is its most important resource, and must be protected. The cost of food is also important to the voting public, so an abundant supply must be assured. In order to do that, farmers must be kept in business, and an adequate amount of cropland must be kept in production. In addition, food exports are a vital link in our balance of trade, so it is in the best interest of the nation to maintain a production level substantially in excess of domestic needs.

Public scepticism *(regardless of how unfounded or unfair it may be)* makes disaster programs an unreliable method of protection. What may be a disaster to a small area may not generate enough public or political support to merit a federal response. If a disaster affects a large enough area, budget constraints may cause the assistance to be spread too thin to be effective.

On the other hand, current crop insurance programs are not adequate. They are difficult to understand, costly to administer and attract too few participants to be actuarially sound. While most people understand that it is not possible to have a program where everyone receives more in benefits than they pay in premiums; if a program is to be viable, producers must be able to purchase adequate levels of protection at affordable premium rates.

While there has been some negative reaction to the idea of turning the program over to private industry, there are positive arguments as well. Records show that in federally administered programs, approximately 15[redacted] cents out of each premium dollar has been available for program benefits. Under private industry administration, approximately **56 cents** per premium dollar is available for benefits. The obvious conclusion is that private industry, not the federal bureaucracy should administer the crop insurance program.

At the same time, the program must be made more understandable. Coverage based on dollar amounts, which would protect fixed and variable costs, are much more desirable than complicated formulas that involve **ASCS** yield averages and base histories.

If the program requires federal subsidies to make it affordable, we feel that it can still be less costly than disaster programs if it is properly administered and structured to attract maximum producer participation.

Several years ago, food stamps were added to the Farm Bill in order to attract enough urban votes for passage. In 1985, Environmental Issues became a large part of the program for the same reason. We expect that 1990 will not only continue that trend, but that water quality and food safety issues may well dominate the dialogue.

All we ask is for scientific research and common sense to be given a higher priority than unreasoning emotion. Technological advances have taken us in a quantum leap from measuring compounds in parts per million, to parts per billion and parts per trillion. What used to be considered zero contamination is now a few parts per billion or trillion. That doesn't mean the compounds have suddenly become more dangerous; it only means we can measure smaller amounts. It still takes a toxic dose of any substance to be harmful, whether that substance is a pesticide or table salt.

Agriculture has made enormous contributions in the formulation of compounds and application methods, toward reducing the amount of crop protection products needed to insure an abundant and safe food supply. Modern herbicides are applied in amounts as small as 1/10 of ounce per acre. Soil testing methods help us limit fertilizer and other plant nutrients to only the amount needed for healthy growth and good yields.

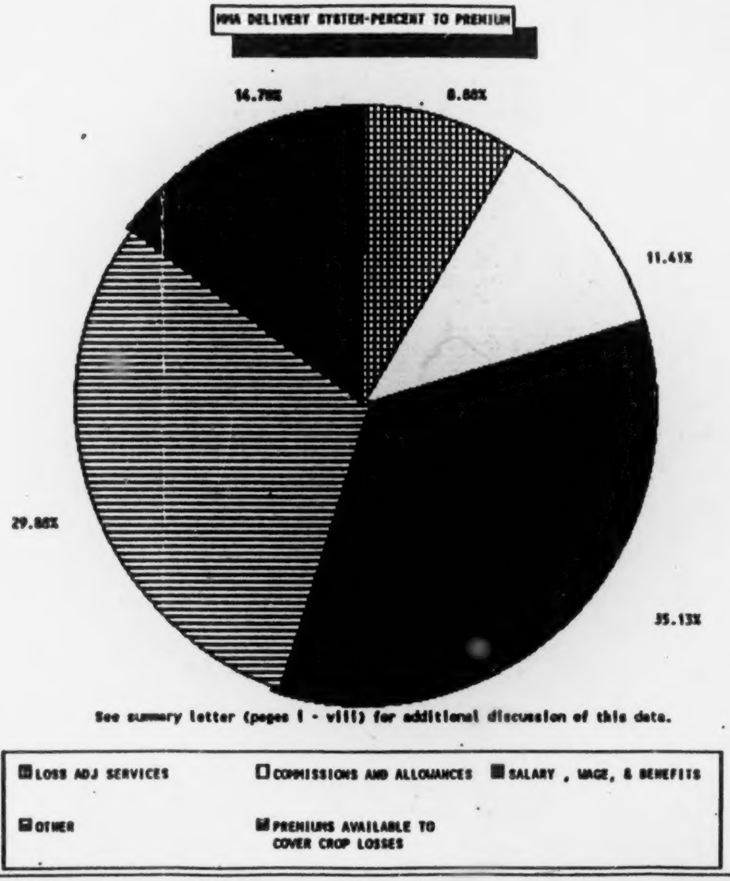
News media sarcasm not withstanding, farmers are the original environmentalists. If wells are polluted, farm families drink that water first.

The American food supply is still the highest quality, the lowest cost, the most abundant and the safest in the world.

The members of the Kansas Association of Wheat Growers are willing to work with environmental activist groups to reach an understanding of each others goals and concerns. We urge these groups to rely on scientific evidence, and not supposition to make their recommendations. We urge Congress to rely on that same scientific evidence and common sense in making the laws with which producers have to comply.

(Attachments follow:)

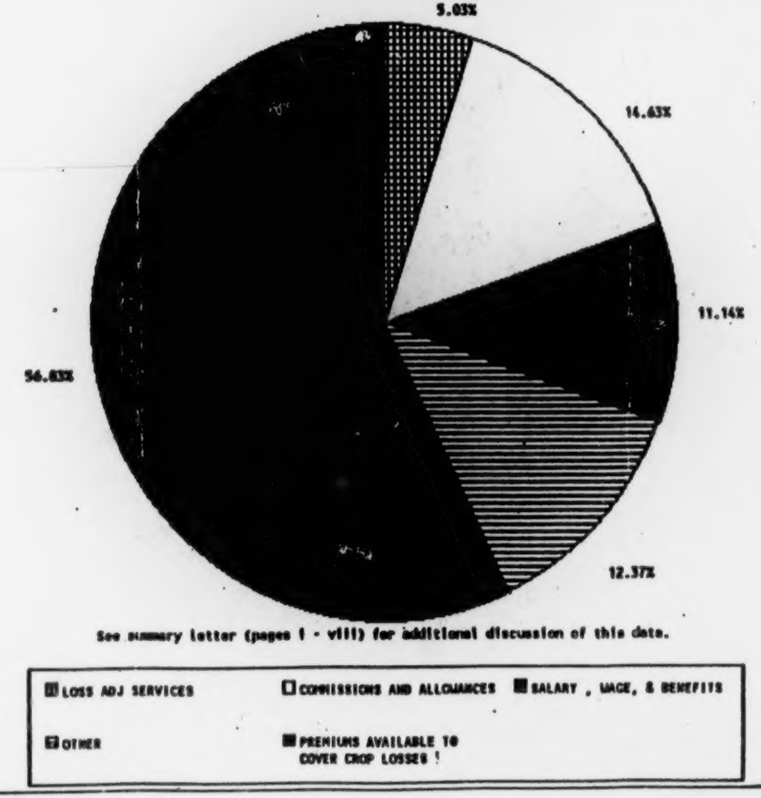
EXHIBIT E



See summary letter (pages i - viii) for additional discussion of this data.

EXHIBIT D

REINSURANCE DELIVERY SYSTEM-PERCENT TO PREMIUM



See summary letter (pages i - viii) for additional discussion of this data.

STATEMENT OF DOUGLAS SCHMALE, VICE PRESIDENT OF THE NEBRASKA WHEAT GROWERS ASSOCIATION

I would like to thank Chairman Glickman, Ranking Minority Member Marlenee, and the members of the Committee for holding this hearing and allowing farmers' ideas to be heard.

The ideas I will present here use the current Farm Bill as a basis for future legislation and are presented in the hope that they can contribute towards making new legislation even more effective in benefiting both farmers and the public interest.

TARGET PRICE / LOAN RATE

To farmers, target prices will be the most important part of the new Farm Bill. Since 1986 the target price of wheat has decreased 38¢ per bushel, a drop of nearly ten percent (10%). The current target price of wheat, $4.00 per bushel, is the minimum which will adequately protect farm income and the economies of rural towns. For 1991 and subsequent years of new legislation, the target price should be increased at the same rate that the cost of production increases.

We recognize that budget pressures will make this difficult, however, if we are going to be affected by budget cuts, especially percentage cuts across the board, it is only reasonable and fair to start with target prices that are realistic, rather than ones which are initially too low. Similarly, target prices must be paid on a reasonable number of acres. To distort income protection by not paying on the full number of permitted acres amounts to nothing more than a lowered target price.

Turning to loan rates, we would urge that the 1990 Farm Bill repeal the Findley Amendment and raise the loan rate on wheat to at least $2.44 per bushel. Again, looking at reasonable and fair numbers, if we can't establish an agricultural policy that allows for at least this loan rate, realizing tha the cost of producing wheat is even higher, then what is the future for American Farmers?

ENDING STOCKS

Nearly as important as target price, a reasonable level of ending stocks is absolutely essential in maintaining farm income. This is especially true if income is to be received from the marketplace rather than from government subsidies. This can be shown by statistics from 1986 and 1987 when carryover levels and deficiency payments were very high, as opposed to data from this past year when both carryover stocks and deficiency payments for wheat were much lower. (Appendix A)

Because of the importance of the aforementioned relationship, we strongly feel that the 1990 Farm Bill should include a specific goal of wheat ending stocks not exceeding twenty percent (20%) of the preceding marketing year's total disappearance. Currently, this would amount to wheat ending stocks of approximately 450 million bushels. We feel the Secretary of Agriculture should be accountable for and report annually to Congress on achieving this goal.

Of these ending stocks, 300 million bushel should be isolated from the marketplace in a Farmer Owned Reserve. This Farmer Owned Reserve should serve as a true Food Security Wheat Reserve, subject to release only at a price exceeding one hundred twenty percent (120%) of the target price.

ACHIEVING REASONABLE ENDING STOCKS

Recognizing the importance of reasonable ending stocks, it is imperative that the 1990 Farm Bill continue the use of acreage set-asides as a mechanism to balance the supply and demand of wheat. Acreage set-asides provide surplus capacity that can quickly be utilized to meet increases in domestic or export demand. However, set-asides maintain this surplus capacity in a form which does not depress market prices and farm income. If reasonable and effective acreage set-asides are not maintained, this surplus capacity will quickly result in excessive ending stocks of wheat, depressing market prices and increasing government expenditures.

We are strongly opposed to the 1990 Farm Bill allowing producers to overplant their permitted acres in exchange for a reduced payment. This will simply result in overproduction which will be damaging to all producers. The current one hundred five percent (105%) set-aside for wheat has been widely criticized in wheat producing areas for precisely this reason.

FLEXIBILITY

While many wheat farmers have very restricted cropping alternatives due to climate, it is desirable to allow farmers to try and adjust their mix of different crops in response to market demands. To achieve this, while still retaining the target price and set-aside components of the current Bill, we would urge that the 1990 Farm Bill be based on a Normal Crop Acreage concept. Using this, each farm would receive a whole farm base, computed from historic bases and plantings. Within this base a farmer would be free to plant any mix of program crops and receive deficiency payments on them, provided that he met set-aside requirements.

For example, given a 1000 acre whole farm base, a 10% ARP for wheat and a 5% ARP for corn, a farmer could plant any mix of wheat and corn acres provided that for each 10 acres of wheat 1 acre of ground was set-aside, and that for each 10 acres of corn, one-half acre of ground was set-aside. No crop could be harvested from these set-aside acres. If non-program crops were desired they could be substituted for program crops if the same acreage set-aside were met.

Also concerning flexibility we would like to offer these additional comments, and if any ideas are remembered from this testimony, please let it be these. Farmers do not support, nor do they want decoupling. Farmers do not support the U.S. position at the GATT because it leaves decoupling as this country's only farm policy alternative. To decouple payments from production, and eliminate set-asides, will result in an oversupply of grain that will be devastating to the agricultural economy. If the budget process can barely maintain a 90¢ payment for wheat this year, how could we possibly maintain an adequate payment if stocks once again rose and prices once again fell to the disastrous levels of the mid 1980's.

The previous comments have focused on farm income. I would now like to quickly turn to two other important items.

CLEAN GRAIN

If the U.S. is to be a world class grain exporter, we must meet the product quality of our competitors. As a farmer and as an officer of a wheat grower organization, I am both proud and appalled when foreign trade teams visit my state and comment on how good the grain looks in farmers' bins, and how much worse it looks when it arrives at their mills. There currently is legislation in Congress, HR3822 and S1977, which addresses grain quality. We strongly support this legislation, and feel it should be adopted as part of farm policy legislation this year.

CROP INSURANCE

We are opposed to eliminating crop insurance, and feel that more time and effort should be given to implementing the recommendations of the Commission To Improve Crop Insurance. Crop insurance is an important risk management tool for wheat farmers. Many wheat farmers are faced with frequent, localized losses that are better addressed with some form of insurance rather than with disaster programs. For example, last summer the largest wheat producing county in Nebraska lost approximately one-third of its wheat acres to a single hailstorm. This event, unlike a major regional drought, would not be large enough to warrant the type of disaster legislation we have seen in the last 2 years. Without insurance however, individual farmers would have been devastated.

If it is decided to resort solely to disaster programs, please remember that they will need to be on a continuing basis, and will need to be able to respond to these very localized crop losses.

In closing, I would again like to thank Chairman Glickman, Rep. Marlenee, and members of the Committee for hearing my testimony. I hope it will be useful to you. I would now be happy to answer any questions.

(Attachment follows:)

APPENDIX A

PRICES, ENDING STOCKS AND DEFICIENCY PAYMENTS FOR WHEAT

CROP YEAR	ENDING STOCKS (MILLION BUSHELS)	PRICE RECEIVED ($/BU)	DEFICIENCY PAYMENTS ($/BU)
1986	1,821	$2,42	$1.98
1987	1,261	$2.57	$1.81
1988	616	$3.74	$0.84 [1]
1989 (Projected)	500	$4.00	$0.70 [1]

[1] Deficiency payment data for 1988 and 1989 has been adjusted for target price decreases in order to provide numbers which can be directly compared to 1986, 1987 data. Actual deficiency payments to farmers in 1988 and 1989 were 69¢ per bushel and 32¢ per bushel respectively.

SOURCE: WHEAT BACKGROUND FOR 1990 FARM LEGISLATION. U.S.D.A.

KANSAS
NATIONAL
FARMERS
ORGANIZATION
Collective Bargaining
FOR AGRICULTURE

NATIONAL FARMERS ORGANIZATION OF KANSAS
LEROY BOWER, PRESIDENT
R. # 5 Box 529
Pittsburg, Ks. 66762
316 643 5391

Thank you Mr. Chairman and Members of the Subcommittee of Wheat, Soybeans and Feed Grains. I want to take this time to personally thank you and your fellow committee members on behalf of the members of the National Farmers Organization of Kansas for holding this hearing. This committee will have the job to literaly determine the values and future of agriculture production in the rural and agriculture areas of this great country.

Since it has been quoted many times that the 1990 Farm Bill will be similar to the 85 Farm Bill. Lets look at the 85 Bill. It has been the most costly farm bill in the history of farm programs. At the end of its' five year life, it will have cost in excess of $80 Billion. This compares to a cumulative cost for all farm programs of $125 Billion from the 1930's through 1985. Loan rates for various commodities are about 40% below current world prices.

Farm income must be raised, so farmers will have the ability to buy needed machinery and supplies to bolster the entire economy. Farmers need a respectable standard of living, decent housing and be able to provide a health insurance program for their families. Higher income would generate credibility to the Farm Credit System and relieve farm debt pressure on the rural banking system. Higher grain prices would help to eliminate our import-export balance of payments deficit. Agriculture, without a doubt, is the biggest industry in this country. With farm prices more in balance, with other areas of our country's economic society, it would create an atmosphere of prosperty domestically that could well offset the economic downtrend that is inevitable with the decline in defense spending, and it would not need to be done on borrowed money.

I am sure many legislators fear overproduction, this can be controlled by a supply management system by raising and lowering allotments. We constantly hear of starvation in various areas of the world, while we in the U.S. have an abundance of food. We need to learn to share with these people rather than subsidize some wealthy nations. By rejuvenating P.L. 480, it would have the effect of lending humanitarian credibility to the United States over the world.

FARM BILL PROPOSAL

In writing the Farm Bill, FIRST, lets apply the KISS Rule, KEEP IT STRAIT AND SIMPLE. We want to freeze target prices and increase loan rates roughly to levels prevailing in the years of 86 and 87 of the 85 Farm Bill, to sustain farm income and reduce the drag on the U.S. Treasury. Such loan rates will permit export sales within prevailing world market prices. Remember, loans on commodities are just that, loans, which are paid back to the U.S. Treasury with interest, so they really cost the government nothing. Farmers should have the opportunity to extend the regular nine month marketing loans for one year whenever markets are weak.

Eliminate the use of Generic Certificates and reinstate minimum sale prices for CCC owned commodities moving back into our domestic market. This would permit proper functioning of the price support program at reasonable cost. The PIK certificates were undoubtedly the major factor in holding down market prices, even as our inventories were depleted and our graineries were emptied following the 1988 and 1989 droughts. Prices did not respond as they had in past years when our inventories were reduced to similar levels.

Switch from an acres base to bushels or pounds in setting farm bases and production goals. This would reduce the pressure for planting to maintain bases, with heavy fertilizer and chemical applications to boost production on a restricted acreage.

Correct the relative relationship of Price Supports levels between the various commodities for example Soybeans should be supported at 2.5 times the support level for corn.

THE ENVIRONMENTIAL ISSUE

We must respond to some of the environmental demands while carefully utilizing modern technology. First and foremost, farmers are environmentist. They plant, plants grow, and do there thing with making the air we breath cleaner. Second, farmers are not chemist, at least, I am not. Farmers cannot afford to be reckless with our environment, we live and raise our families here. It is the responsiblity of the chemical industry to provide safe chemicals, be it herbicides, insecticides, or fertilizers that will breakdown, self-destruct or be compatable with the environment that they are placed in. University Extension Services would also have the responsibility to educate farmers and make recommendations of the right uses of chemicals that are not harmful to our environment.

DISASTER AID OR CROP INSURANCE

In the past, Federal Crop Insurance has been a poorly administered program, not only in setting premiums, but in adjusting claims. Premiums are high for the amount of coverage. Risk are great, is why we have not had the insurance industry involved. We believe some form of coverage should be made available as a risk management tool.

Farm programs before the 80's had provisions for disaster or low yields built into the act. We would prefer a disaster provision as a permanent part of the farm bill as compared to working a disaster aid through congress for each disaster.

In summary, we must redirect and develop a U.S. Agriculture policy for the 1990's. We must improve net farm income, the wellbeing and the servival of our rural communities and family-owned farms. This must be the center of our agriculture policy consideration in the 90's and beyond.

Government actions to drive down the price of our commodities for the sole purpose of increasing export volumes must be stopped. We must have a policy that recognizes that it is the value of our exported production, not the volume of production that we export, that will improve net farm income and our balance of trade. If it is determined that subsidies must be used to counteract unfair trading practices by a competing country, these subsidies should be limited to the export portion of the crop, rather than our entire production.

Programs can and must be developed which will reduce government costs, improve net farm income and ensure that the U.S. will continue as a reliable and viable exporter of our agriculture production. It should not be a question of dropping our prices to less than our cost of production versus a loss of export markets. There are other alternatives that must be pursued if our system of family ownership and operation of our farms is to continue.

This concludes my statement. Again thank you for this opportunity to allow our views to be expressed.

STATEMENT OF JIM RICE, NATIONAL DELEGATE, AMERICAN AGRICULTURAL MOVEMENT, LIBERAL, KANSAS

FEBRUARY 16, 1990

I appreciate the opportunity to appear before this Wheat, Soybeans, and Feedgrains SubCommittee to offer some suggestions about the wheat and feedgrain programs. I hope these suggestions will be beneficial in constructing the 1990 farm bill.

I am Jim Rice, a farmer and livestock producer from Seward County Kansas. I am here today representing the American Agriculture Movement Inc. and farmers from across this nation. We have a family farm operation located in Southwest Kansas. We operate a farrow to finish swine operation in addition to our farming.

Less than a week ago I returned from Washington D.C., where I had the opportunity to set in on hearings and meetings presently going on in preparation for the 1990 farm bill debate. To my surprise the farm bill debate is just starting. I found this to be in sharp contrast to the many farm publications and media events that would lead farmers to believe the 1990 farm bill debate is over. Farmers from across this nation should rise up and be heard in the next few weeks. I commend this Committee for the opportunity to allow a few of us to do just that today.

The present farm programs are so complicated that not only the producers but also the personell in the county offices across this nation are confused. It is time farm programs are simplified !!!

I would like to outline a few proposals to be included in the 1990 farm bill.

1. A regular commodity program should be established for oilseeds. Producers should have income protection and program administrators should have the ability to determine necessary production and reserve levels in return for such protection.

2. Wheat, feedgrains, and oilseed loan rates should be increased to 70% of parity with a 2% a year increase until the loan rate is at 90% of Parity. The Findley admendment should be repealed.

3. Commodity bases should be stated in bushels and pounds. This would allow the producer flexibility. Supply needs and program costs would be made much easier for program administrators. The present Peanut quota program is a good example that should be followed by other program crops.

4. A referendum should be held to allow producers to choose the method of supply control they want and need to maintain a viable program.

5. Producers trying to build base by not participating in programs should be required to stay out of the program the second year and should take a "zero" on base and yield calculations for the years out of the program.

6. Producers of oilseeds, feedgrain. and wheat should be allowed to switch up to 20% of their commodity base among these three commodity crops.

7. The continuation of the farmer held reserve should be of top priority.

8. On farm storage payments should be equal to that of commercial storage.

9. A crop insurance program that allows the producer to regain at least 50% of his "average cost of production expense", in event of a crop failure is desirable. The 50% will be offered as a benefit to the producer for his participation in the commodity program. Additional coverage can be obtained by the producer at his expense.

10. The 1990 farm bill must allow enough flexibility to allow producers to practice farming methods that will not harm the environment.

11. Care must be taken that the present Gatt negotiations are not written to eliminate or override the farm programs presently being written by congress. These negotiation should not allow a reduction in farm prices in the name of a "free market".

I have been involved in a farm survey. Farm meetings ond functions have been a target for information. I handed out surveys at a fieldhearing this past spring, in Great Bend. This survey was very diverse in both livestock and acreage. A large number of those reporting were from the western one half of Kansas. I have recieved surveys from 39 Kansas counties and many from outside the state. They are all combined in the results.

I would like to review the results and will offer comments as we continue.

A recent study by FAPRI indicated that if the present farm bill is extended by 1995 a reduction in farm income of 40% is possible.

I appreciate the opportunity to express my opinions and those of others. I would be glad to answer any questions you may have.

Thank You

Jim Rice
RR 2
Liberal Ks. 67901

(Attachments follow:)

1989 FARM QUESTIONNAIRE

State__________________ County______________________

CROPS GROWN (Acres)

_______Wheat ______Milo ______Corn ______Soybeans ______Other (Specify)

LIVESTOCK ______Cattle ______Hogs ______Other (Specify)

SHOULD COMMODITY LOAN RATES BE:

______ Raised ______Lowered ______Same as present

SHOULD TARGET PRICES BE:

______ Raised ______Lowered ______Same as present

Should Crop Insurance be manditory for those participating in Farm Program? __Yes __No

Do you favor Cross-Compliance in Farm Program? ___Yes ___No

Are you planning to participate in Farm Programs this year? ___Yes ___No

Are you participating in CRP? ___Yes ___No

If No, would you participate if payments per acre were higher? ___Yes ___No

Are you presently participating in the CCC Commodity Loan Program? ___Yes ___No

If No, would you participate if loan rates were higher? ___Yes ___No

Do you favor reducing the deficiency payment by increasing the loan rate ________ or reducing the target price? __________ (Check one)

Would you support stronger laws to protect groundwater from chemical contamination?

______ Yes ______No

Should land taken out of production to prevent groundwater contamination be placed in a long term CRP Program? ______Yes ______No

Would you support a Farmer Referendum to determine program requirements? __Yes __No

Do you favor a continuation of the present export enhancement program? ____Yes ____No

Do you favor a continuation of the present Farmbill for at least one more year?___Yes__No

Do you favor seperating, (decoupling) program payments from the production of commodities? ______Yes ______No

Do you favor reinstatment of the investment tax credit and income tax averaging?

______Yes ______No

Do you favor restrictions on state corporate farming? ______Yes ______No

Do you favor increasing excise tax on tires, batteries, tabacco, gasoline, etc.? ___Yes __No

List the year of your newest: Tractor____ Combine____ Pickup____Grain Truck____ Auto___

When did you last contact your state representative?

____3 mo. ___6 mo. ___over one year ___Never

When did you last contact your United States Congressman?

____3 mo. ___6 mo. ___over one year ____Never

Are you a member of any of the following Farm Organizations?

____NFO ____Farmers Union ____Farm Bureau ____AAM ____Other

THANK YOU!

SUMMARY Of 1989 FARM QUESTIONNAIRE

Prepared by: AAM of Kansas Inc.

Jim Rice Janurary 7, 1990
RR. 2 Box 98
Liberal, Kansas 67901

States involved -Kansas, Oklahoma, Colorado, Missouri

Counties - Kansas 39 - Okla. 3 - Colo. 4 - Mo. 10

LOAN RATES
74% Favored increase
18% favored the same
6% lower

TARGET PRICE
70% favored increase
23% favored same
5% lower

MANDATORY CROP INSURANCE
5% YES 94% NO

FARM PROGRAM CROSS COMPLIANCE
54% YES 45% NO

FARM PROGRAM PARTICIPATION
86% YES 13% NO

CRP PARTICIPATION
21% YES 78% NO

CRP PARTICIPATE IF PAYMENTS WERE HIGHER
63% YES 36% NO

PARTICIPATION IN CCC LOAN PROGRAM
26% YES 73% NO

CCC PARTICIPATION WITH HIGHER LOAN RATES
88% YES 11% NO

FAVOR REDUCTION OF DEFICIENCY PAYMENT BUY:
LAON RATE INCREASE TARGET PRICE REDUCTION
80% 18%

STRONGER GROUNDWATER PROTECTION LAWS
78% YES 21% NO

FAVOR LONG TERM CRP TO PREVENT GROUNDWATER CONTAMINATION
77% YES 21% NO

FARM REFERENDUM TO DETERMINE PROGRAM REQUIREMENTS
70% YES 28% NO

CONTINUATION OF EXPORT ENHANCEMENT PROGRAM
72% YES 26% NO

CONTINUATION OF PRESENT FARM BILL
85% YES 13% NO

SEPERATING PAYMENTS FROM PRODUCTION (DECOUPLING)
36% YES 62% NO

REINSTATEMENT OF TAX CREDIT AND TAX AVERAGING
92% YES 6% NO

RESTRICTIONS ON CORPORATE FARMING
85% YES 14% NO

EXCISE TAX INCREASE
5% YES 94% NO

LAST CONTACT WITH U.S. CONGRESSMAN

3 MO.	6 MO.	OVER 1 YR.	NEVER
43%	13%	27%	15%

LAST CONTACT WITH STATE REPRESENTATIVE

3 MO.	6 MO.	OVER 1 YR.	NEVER
34%	20%	24%	22%

FARM ORGANIZATIONS

NFO	F. UNION	F.BUREAU	AAM	OTHER	NONE
1%	7 %	33%	38%	9%	12%

THE FOLLOWING IS THE YEAR AND TYPE OF EQUIPMENT OWNED

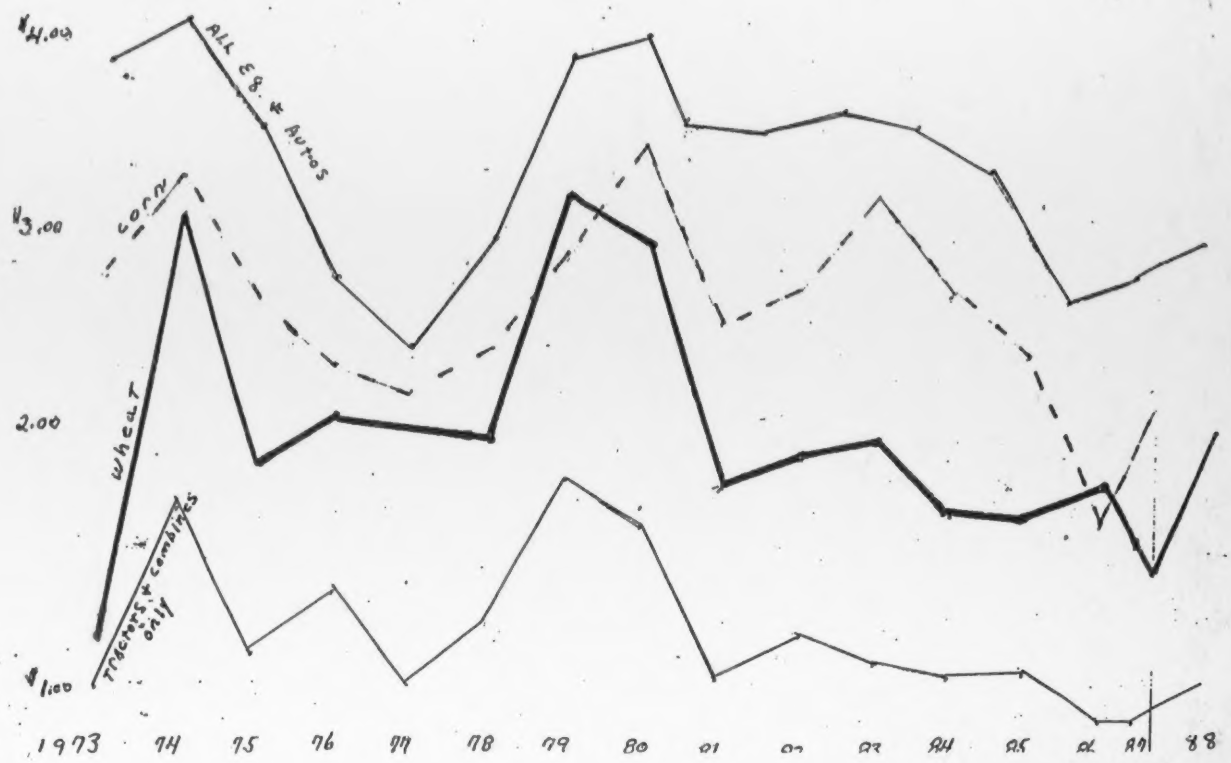
YR.	TRAC.	COMB.	PK.	TRK.	AUTO
49				2	
50				1	
52				2	
53				3	
58				1	
60		2		2	
61	1	3		3	
62		1		1	
63				1	
64	1	3		1	
65	2			5	
66	1			5	
67			1	2	
68	3	4		7	
69		1		1	
70	3	1	1	6	
71	3	1		3	
72		2	2	7	1
73	5	6	2	5	3
74	10	10	4	15	2
75	5	10	6	11	1
76	8	5	6	10	1
77	3	5	3	3	2
78	10	7	5	6	8
79 *	17	10	8	5	11
80	15	11	7	4	9
81	7	4	8		5
82	10	4	5		8
83	3	3	9		15
84	5	2	8	2**	9
85	7	6	13		11
86	3	1	10		18
87	6	2	7		7
88	5	5	8		8
89 ***	4	3	8		13

* CASH PRICE OF WHEAT JAN. 1979 $4.21 BU. MILO $5.20 CWT
*** CASH PRICE OF WHEAT JAN. 1989 $3.58 BU. MILO $4.43 CWT
** Two farm trucks reported after 1980
note - prices Liberal Kansas

YEARS OF 1974 THRU 1982 -VS- 1983 THRU DEC. 1989

85 TRACTORS - VS - 33
66 COMBINES - VS - 22
52 PICKUPS - VS - 63
54 TRUCKS - VS - 2
47 AUTOS - VS - 81

The chart below is a comparison of commodity prices and equipment and vehicle ownership. The ownership was gathered from the 89 farm survey and the commodity prices were reported by USDA.



TESTIMONY OF

VERNON DEINES

ON BEHALF OF

THE KANSAS FARMERS UNION

THANK YOU, MR. CHAIRMAN. MY NAME IS VERNON DEINES, AND I AM A DIRECTOP OF THE KANSAS FARMERS UNION BOARD. I WOULD LIKE TO WELCOME YOU AND OTHER MEMBERS OF THE SUBCOMMITTEE TO WICHITA AND THANK YOU FOR COMING TODAY TO HEAR OUR SUGGESTIONS FOR THE 1990 FARM BILL.

MUCH AS BEEN SAID AND WRITTEN OVER THE LAST FIVE YEARS ABOUT WHETHER OR NOT THE FOOD SECURITY ACT OF 1985 WAS WORKING, OR WHETHER USDA WAS ADMINISTERING THE ACT IN ACCORDANCE WITH CONGRESSIONAL INTENT. WE BELIEVE THAT IT'S TIME TO MOVE BEYOND THAT DEBATE NOW, BECAUSE SINCE PRESIDENT BUSH ISSUED HIS FISCAL YEAR 1991 BUDGET PROPOSAL ON JANUARY 29, IT HAS BEEN CLEAR THAT SIMPLY EXTENDING THE FOOD SECURITY ACT AND EXPECTING IT TO WORK IN THE FUTURE IS A FISCAL IMPOSSIBILITY.

THE GOALS OF THE FOOD SECURITY ACT WERE TO REDUCE STOCKS, REBUILD EXPORT MARKETS, AND MAINTAIN PRODUCER INCOME THROUGH DEFICIENCY PAYMENTS. THE COMMODITY PROGRAMS AUTHORIZED IN 1985 CANNOT BE OPERATED WITH OUTLAYS OF $10.2 BILLION UNLESS ONE OR MORE OF THOSE GOALS ARE SACRIFICED. THE BUDGET CALLS FOR TAKING $1.5 BILLION OUT OF COMMODITY CREDIT CORPORATION (CCC) FARM PRICE AND INCOME SUPPORT PROGRAMS WHILE FUNDING FOR EXPORT CREDIT GUARANTEES IS MAINTAINED AND FUNDING FOR THE EXPORT ENHANCEMENT PROGRAM (EEP) IS INCREASED $334 MILLION. IT IS CLEAR TO US WHICH GOAL OF THE FOOD SECURITY ACT IS EXPENDABLE TO THE ADMINISTRATION.

THE USDA BUDGET IS 1% OF THE TOTAL U.S. BUDGET. IF THAT IS ALL THE PRIORITY THAT WE AMERICANS PUT ON INSURING FOOD AND FIBER FOR OUR CITIZENS, THERE IS SOMETHING TERRIBLY WRONG WITH OUR THINKING AND I FOR ONE WOULD BE ASHAMED IF I AS A U.S. CONGRESSMAN HAD TO TELL THAT STORY TO THE AMERICAN PEOPLE. THE U.S. SPENDS MORE DOLLARS TO DEFEND JAPAN THAN IT DOES TO PROTECT ITS FARMERS, AND SPENDS MORE YET TO DEFEND KOREA.

OF COURSE, NET FARM INCOME IS MORE THAN A MATTER OF THE GOVERNMENT PROGRAM. IT'S A COMBINATION OF THAT PLUS MARKET PRICE, VOLUME, AND THE MANAGEMENT SKILLS OF THE PRODUCER. THE PROPOSED CUTS IN THE CCC PROGRAMS WOULD BE MUCH EASIER FOR US TO SWALLOW IF THE 1985 ACT HAD SUCCESSFULLY AFFECTED SOME OF THE OTHER VARIABLES. AFTER TWO YEARS OF DISASTROUS WEATHER AND SEVERAL YEARS OF AGGRESSIVE EXPORT MARKETING, WHEAT SURPLUSES ARE GONE, YET MARKET PRICES HAVE NOT RESPONDED. WHAT LITTLE GAIN WE DID SEE IN THE MARKET PLACE WAS GONE ALMOST THE MINUTE THAT SECRETARY YEUTTER ANNOUNCED HIS PLAN TO ALLOW PRODUCERS TO PLANT 105% OF THEIR WHEAT BASE. THE VOLUME OF OUR EXPORTS HAS INCREASED, BUT ONLY AFTER ENORMOUS EXPENDITURES ON EEP TO LOWER THE EFFECTIVE PRICE OF OUR COMMODITIES EVEN FURTHER. AT THE SAME TIME, OUR COMPETITORS HAVE NOT REDUCED THEIR PLANTINGS, THEIR EXPORT SUBSIDIES, OR THEIR UNDERCUTTING OF U.S. PRICES. MR. CHAIRMAN, THE KANSAS FARMERS UNION BELIEVES THAT LOW PRICES ARE THE CAUSE, NOT THE SOLUTION OF AMERICAN FARMERS' NEEDS.

USDA HAS BEEN SAYING THAT OVERALL NET FARM INCOME IS AT RECORD HIGH LEVELS. WE URGE YOU TO LOOK DEEPER THAN THE AVERAGE OF ALL REGIONS AND ALL COMMODITIES. IN FACT, MUCH OF THE NET FARM INCOME GAINS ARE IN COMMODITIES OUTSIDE THE SCOPE OF FARM PROGRAMS, SUCH AS FRUITS, VEGETABLES, AND LIVESTOCK. WHAT HAS HAPPENED TO THE NET FARM INCOME OF PROGRAM COMMODITY PRODUCERS? WHAT HAS HAPPENED TO PRODUCTION COSTS AND COMMODITY RETURNS FOR WHEAT GROWERS IN KANSAS?

MR. CHAIRMAN, OUR MEMBERS BELIEVE THAT WE CAN DESIGN A PROGRAM, WITHIN BUDGET LIMITS, THAT WILL RECOGNIZE DOMESTIC AND EXPORT

DEMAND, MAINTAIN A STRATEGIC RESERVE, AND ALLOW PRODUCERS TO GET MORE OF THEIR INCOME FROM THE MARKETPLACE INSTEAD OF THE MAILBOX. OUR FARM BILL PROPOSAL GREW OUT OF THE POLICY STATEMENT ADOPTED BY THE DELEGATES TO THE NATIONAL FARMERS UNION. THOSE IDEAS HAVE BEEN FLESHED OUT AND REFINED BY OUR NATIONAL BOARD OF DIRECTORS, STATE FARM BILL TASK FORCES, AND COMMODITY COUNCILS. OUR IDEAS WERE FIRST BROUGHT TO CAPITOL HILL LAST YEAR BY GRASS ROOTS MEMBERS WHO CAME TO WASHINGTON, D.C. IN JUNE AND SEPTEMBER. WE HAVE APPRECIATED THE SUPPORT YOU HAVE SHOWN AND THE COOPERATION OF YOUR STAFF IN ENSURING THAT OUR IDEAS ARE HEARD IN THE GROWING DEBATE OVER PROVISIONS OF THE 1990 FARM BILL.

SINCE OUR RECOMMENDATIONS HAVE BEEN "ON THE TABLE" FOR THE BETTER PART OF A YEAR NOW, I WILL NOT TAKE UP YOUR TIME TO EXPLAIN THEM IN DETAIL. HOWEVER, NOW THAT USDA HAS ISSUED ITS PROPOSAL FOR THE 1990 FARM BILL, I WOULD LIKE TO DRAW SOME COMPARISONS BETWEEN OUR PLAN AND THE DEPARTMENT'S, PARTICULARLY REGARDING THE WHEAT PROGRAM.

FARMERS UNION'S PROPOSAL FOR THE 1990 FARM BILL BEGINS WITH TARGET PRICES THAT REFLECT THE COST OF PRODUCTION AND ARE INDEXED TO INFLATION. THIS CONCEPT WAS INTRODUCED ON FEBRUARY 7 AS H.R. 3989 BY REPRESENTATIVES JONTZ, DORGAN, EVANS, JOHNSON, NAGLE, AND STALLINGS. IN THE SENATE, SENATOR BOSCHWITZ HAS EXPRESSED INTEREST IN A SIMILAR INDEXING APPROACH TO TARGET PRICES, IN THAT HE WOULD REQUIRE TARGET PRICES TO INCREASE WITH SET-ASIDE LEVELS.

UNFORTUNATELY, USDA'S FARM BILL PROPOSAL IS COMPLETELY SILENT ON THE QUESTION OF TARGET PRICES. WITHOUT ANY INDICATION OF THE SUPPORT LEVELS ACCEPTABLE TO USDA, IT IS IMPOSSIBLE TO OBJECTIVELY COMPARE THE EFFECTS OF OUR PROPOSAL VERSUS THE USDA PROPOSAL ON THE NET FARM INCOME OF YOUR CONSTITUENTS. IT IS ALSO IMPOSSIBLE TO ESTIMATE THE COST OF THEIR PROPOSAL. THE BUDGET ANNOUNCEMENT THAT YIELDED THE $10.2 BILLION FIGURE STATED AN ASSUMPTION THAT TARGET PRICES WOULD BE FROZEN AT 1990 LEVELS. ACCORDING TO THE FOOD AND AGRICULTURE POLICY RESEARCH INSTITUTE (FAPRI), THAT WOULD RESULT IN A 40% DROP IN OVERALL NET FARM INCOME BY 1996.

TO KEEP BUDGET OUTLAYS DOWN WITHOUT SACRIFICING FARM INCOME, FARMERS UNION ALSO ADVOCATES SETTING LOAN RATES FOR ALL APPLICABLE COMMODITIES AT 75% OF TARGET PRICES. IN ADDITION, WE SUPPORT REPEAL OF THE SO-CALLED "FINDLEY AMENDMENT" THAT HAS RESULTED IN LOAN RATES BEING ARTIFICIALLY FORCED DOWN BELOW THE LEVELS ESTABLISHED BY CONGRESS IN THE 1985 ACT. USDA RECOMMENDS TYING LOANS LEVELS FOR ALL PROGRAM CROPS, INCLUDING UPLAND COTTON, ELS COTTON, AND RICE, TO A MOVING AVERAGE OF 75 - 85% OF THE MARKET PRICE. GIVEN WHAT HAS BEEN HAPPENING TO MARKET PRICES EVEN IN THIS TIME OF TIGHT SUPPLIES, IT APPEARS TO US THAT USDA'S PROPOSAL WILL RESULT IN LOWER LOAN RATES. ASSUMING FROZEN TARGET PRICES, THEIR PLAN WOULD ALSO RESULT IN HIGHER PROGRAM COSTS, UNLESS SOME OTHER COST-SAVING MEASURE IS ADOPTED.

THERE ARE ANY NUMBER OF WAYS TO "TARGET" PROGRAM BENEFITS FOR COST-SAVINGS, RANGING FROM PAYMENT LIMITATIONS ON ALL PARTICIPANTS TO LIMITATIONS ON OR EXCLUSIONS FROM PROGRAM PARTICIPATION FOR PRODUCERS ABOVE A CERTAIN SIZE OR INCOME. FARMERS UNION BELIEVES THAT IN THESE TIMES OF BUDGET CONSTRAINTS, IT MAKES SENSE TO TARGET PROGRAM BENEFITS TO THE PEOPLE THAT TAXPAYERS REALLY WISH TO SUPPORT. WE DO NOT BELIEVE THAT TARGETING CAN BE DONE ON THE BASIS OF GROSS SALES OR ADJUSTED GROSS INCOME FROM FARMING WITHOUT CAUSING EITHER INEQUITIES AMONG COMMODITIES AND REGIONS OF THE COUNTRY OR ELSE AN INCREDIBLY COMPLICATED PROGRAM. WE WOULD PREFER TO SEE TARGETING DONE ON THE

BASIS OF INCOME LEVELS OUTSIDE OF AGRICULTURE. WE WOULD DRAW THE LINE BETWEEN THOSE WHO RELY ON AGRICULTURE FOR A LIVING AND THOSE WHO DO NOT. FOR EXAMPLE, IF A PERSON'S NET INCOME FROM SOURCES OTHER THAN PRODUCTION AGRICULTURE EXCEEDS $100,000 PER YEAR, IT'S PROBABLY SAFE TO ASSUME THAT THE AVERAGE TAXPAYER WOULD NOT SEE THE NEED TO PAY THAT PERSONS FARM SUBSIDY.

THE OFFICE OF MANAGEMENT AND BUDGET (OMB) HAS SUGGESTED THAT ONE WAY TO ACHIEVE SOME OF THE $1.5 BILLION IN COMMODITY PROGRAM SAVINGS RECOMMENDED IN THE ADMINISTRATION'S PROPOSED BUDGET WOULD BE TO EXCLUDE LARGER PRODUCERS FROM ELIGIBILITY FOR PROGRAM BENEFITS. USDA, ON THE OTHER HAND, APPEARS TO HAVE REJECTED THAT APPROACH IN FAVOR OF DECREASING DEFICIENCY PAYMENTS TO ALL PRODUCERS THROUGH A COMBINATION OF PLANTING FLEXIBILITY IN EXCHANGE FOR PAYMENT BASE AND INCLUDING FINDLEY PAYMENTS IN THE $250,000 TOTAL PAYMENT LIMITATION.

FARMERS UNION OBJECTS TO THE CONCEPT OF AN ARTIFICIAL "PAYMENT BASE" FOR BUDGETARY OR ANY OTHER REASONS. PAYMENTS SHOULD BE TIED TO THE ACTUAL AMOUNT OF THE ACTUAL COMMODITY PRODUCED. OUR ORGANIZATION STRONGLY SUPPORTED H.R. 2042, WHICH WAS ENACTED LATE IN THE LAST SESSION. THAT LAW REQUIRED A STUDY BY THE USDA TO DETERMINE THE COST IMPLICATIONS OF MOVING TO PROVEN YIELDS IN 1989, AND IT REQUIRES THE SECRETARY TO ALLOW A PRODUCER TO PROVE HIS YIELDS BEGINNING WITH 1990. AS WE UNDERSTAND IT, USDA IS PLANNING TO CHARGE PRODUCERS $15.00 FOR RECORDING THEIR ACTUAL YIELD DATA. WE FEEL THIS IS AN UNNECESSARY TAX IMPOSED TO DISCOURAGE FARMERS FROM TAKING THE OPPORTUNITY TO UPDATE USDA'S INFORMATION ON THEIR YIELDS, AND WE WOULD ASK FOR YOUR HELP IN STOPPING THIS PRACTICE.

FARMERS UNION'S FARM BILL PROPOSAL ALSO RECOMMENDS TURNING AWAY FROM ACREAGE-BASED PROGRAMS IN FAVOR OF BASING PROGRAMS ON UNITES OF PRODUCTION, SUCH AS BUSHELS OF WHEAT. DEMAND IS EXPRESSED IN BUSHELS, WE'RE SIMPLY SUGGESTING THAT SUPPLY SHOULD BE EXPRESSED IN THE SAME TERMS. THIS WOULD HAVE THE ADDED ADVANTAGE OF REDUCING COST PROBLEMS ASSOCIATED WITH HAVING BASES IN ACRES WHILE PAYMENTS ARE IN BUSHELS. USDA HAS FREQUENTLY UNDERESTIMATED PROGRAM COSTS. CONSISTENT USE OF BUSHELS WOULD ALLOW MUCH MORE CERTAINTY THAT WE WILL STAY WITHIN THE $10.2 BILLION LIMIT.

ONE AREA IN WHICH FARMERS UNION AGREES WITH THE ADMINISTRATION IS THAT FARMERS NEED GREATER FLEXIBILITY IN DECIDING WHAT TO PLANT ON THEIR FARMS, BUT THAT SUCH FLEXIBILITY SHOULD BE LIMITED TO PROGRAM CROPS TO AVOID ADVERSELY AFFECTING NON-PROGRAM CROP PRODUCERS. WE WOULD TAKE AN ADDITIONAL STEP OF PLACING REASONABLE LIMITS ON THE DEGREE TO WHICH PRODUCERS CAN TRADE AMONG CROPS TO RECOGNIZE THE FACT THAT MANY AREAS ARE LIMITED IN HOW MANY DIFFERENT CROPS THEY CAN PRODUCE. FOR EXAMPLE, WHEAT FARMERS IN KANSAS ARE NOT LIKELY TO SHIFT TO CORN, BUT CORN FARMERS IN IOWA MAY BE VERY INTERESTED IN SHIFTING TO WHEAT. WE BELIEVE SOME BALANCE MUST BE INCLUDED IN FLEXIBILITY, TO MAINTAIN HISTORICAL PRODUCTION PATTERNS WHILE ALLOWING FOR SOIL RESTORING CROP ROTATIONS AND MEETING MARKET DEMAND. USDA WOULD HAVE US FLEXIBLY PRODUCE MORE WHEAT -- EVEN ON SET-ASIDE ACRES -- SIMULTANEOUSLY DRIVING DOWN MARKET PRICES AND GIVING UP INCOME PROTECTION.

UNDER THE FARMERS UNION PROPOSAL, PRODUCERS WHO EXCEED THEIR BASE WOULD HAVE THE OPTION OF STORING THE EXCESS WHEAT AT THEIR OWN EXPENSE AS A TANGIBLE FORM OF CROP INSURANCE OR USING IT TOWARD THE NEXT YEAR'S MARKETINGS. UNDER USDA'S PROPOSAL, THOSE PRODUCERS COULD GO AHEAD AND MARKET THE WHEAT AS LONG AS THEY GAVE UP DEFICIENCY

PAYMENTS ON A CORRESPONDING NUMBER OF ACRES.

ANOTHER AREA WHERE FARMERS UNION AND USDA AGREE IS THAT FARMERS SHOULD NOT BE ABLE TO JUMP IN AND OUT OF THE PROGRAM IN ORDER TO BUILD BASE. USDA WOULD NOT ALLOW THE BUILDING OF BASE WHILE OUTSIDE OF THE PROGRAM. WE WOULD GO ONE STEP FURTHER, AND REQUIRE ANYONE WHO DROPS OUT OF THE PROGRAM TO STAY OUT FOR A MINIMUM OF TWO YEARS, AND GIVE UP TEN PERCENT OF HIS BASE FOR EACH YEAR HE STAYS OUT OF THE PROGRAM.

PRODUCTION BASES WOULD REFLECT EACH PRODUCER'S SHARE OF THE PRODUCTION NECESSARY TO MEET DOMESTIC AND EXPORT DEMAND AND PROVIDE FOR NEEDED RESERVES. IN MANY RESPECTS, CURRENT LAW ALREADY REQUIRES THE SECRETARY TO CALCULATE ACREAGE SET-ASIDES BASED ON THESE SAME CRITERIA. WE FEEL THAT IT IS TIME FOR ALL EXPORTING COUNTRIES TO FACE UP TO THEIR RESPONSIBILITY IN THE MAINTENANCE OF WORLD FOOD RESERVES. FARMERS UNION IS VERY SUPPORTIVE OF THE EFFORTS OF SENATOR CONRAD TO PROMOTE NEGOTIATIONS ON THIS IMPORTANT SUBJECT. THE UNITED STATES CAN NO LONGER AFFORD TO BEAR THE LION'S SHARE OF RESERVES AGAINST GLOBAL FOOD SHORTAGE.

WE AGREE WITH USDA THAT THE FOOD SECURITY WHEAT RESERVE SHOULD HAVE ITS REPLENISHMENT AUTHORITY EXTENDED, AND THAT CONTROL OF THE FARMER-OWNED RESERVE SHOULD LIE WITH PRODUCERS TO THE GREATEST EXTENT POSSIBLE. AND, WE WERE VERY PLEASED THAT SENATOR BOSCHWITZ HAS INDICATED HIS INTENTION TO INTRODUCE A BILL REQUIRING THAT PRODUCERS BE PAID COMMERCIAL RATES FOR ON-FARM STORAGE.

WE ARE CONCERNED, THOUGH, BY USDA'S APPARENT BELIEF THAT FLEXIBLE PLANTING OPTIONS WOULD LESSEN THE NEED FOR RESERVE STOCKS. IT MAY BE TRUE THAT IN CASES OF LOCALIZED DISASTER A DROP IN SUPPLY FROM ONE AREA OF THE COUNTRY COULD BE PARTIALLY OFFSET BY ADDITIONAL PLANTINGS SOMEWHERE ELSE. BUT, IN CASES OF WIDESPREAD NATURAL DISASTER, SUCH AS THE COUNTRY SAW IN 1988, FLEXIBILITY WILL NOT HELP MUCH.

USDA'S PLAN FOR A PERMANENT DISASTER PROGRAM IS ONE OF THE MAIN DISAPPOINTMENTS OF THE DEPARTMENT'S PROPOSAL. A TWO-STEPPED DISASTER PROGRAM THAT FIRST REQUIRES AN ENTIRE COUNTY TO EXPERIENCE A DISASTER AND THEN ONLY ASSISTS PRODUCERS WITH LOSSES EXCEEDING 40% OF COUNTY AVERAGE YIELD IS MINIMAL AID IN THE FACE OF A MAJOR CATASTROPHE. IT IS CERTAINLY NO SUBSTITUTE FOR CROP INSURANCE, WHICH WAS DESIGNED TO OFFER FARMERS A DAY-TO-DAY RISK MANAGEMENT TOOL. FARMERS UNION STRONGLY SUPPORTS CONTINUATION OF A CROP INSURANCE PROGRAM, AND WE HAVE SEVERAL RECOMMENDATIONS WHICH WE BELIEVE WOULD IMPROVE OVERALL PARTICIPATION RATES AND BRING PROGRAM COSTS DOWN. FIRST, FARMERS WILL NOT EAGERLY PARTICIPATE IN CROP INSURANCE UNTIL THEY CAN AT LEAST BUY ENOUGH COVERAGE TO RECOVER THE COST OF PUTTING THE FAILED CROP IN THE GROUND. WE RECOMMEND PROVIDING ONE PRICE ELECTION THAT COVERS AT LEAST VARIABLE PRODUCTION COSTS. SECOND, FARMERS IN LOW RISK AREAS WILL NOT EAGERLY BUY CROP INSURANCE UNTIL THEY HAVE A BETTER CHANCE OF ACTUALLY RECOVERING SOME MONEY IN A BAD YEAR. WE RECOMMEND OFFERING A YIELD OPTION OF EIGHTY PERCENT OF A PRODUCER'S ACTUAL PRODUCTION HISTORY. THIRD, GOVERNMENT PREMIUM SUBSIDIES CURRENTLY DISCOURAGE USE OF THE HIGHEST YIELD OPTION. WE RECOMMEND A SUBSIDY LEVEL OF THIRTY PERCENT ON EACH OPTION. FOURTH, WE AGREE WITH USDA THAT SOME PERMANENT DISASTER PROVISIONS ARE NECESSARY. CROP INSURANCE WAS NEVER DESIGNED TO HANDLE THE OVERWHELMING DISASTER FACED BY PRODUCERS IN 1988 ANY MORE THAN ORDINARY HEALTH CARE COVERAGE IS INTENDED TO HANDLE A CATASTROPHIC

ILLNESS. WE RECOMMEND PERMANENTLY AUTHORIZING THE SECRETARY TO TAKE THOSE FUNDS ORIGINALLY BUDGETED FOR DEFICIENCY PAYMENTS, THAT ARE NO LONGER NEEDED WHEN MARKET PRICES RISE DUE TO NATURAL DISASTER, AND USE THEM AS A CATASTROPHIC LOSS POOL FOR PRODUCERS THAT TOOK THE INITIATIVE TO PROTECT THEMSELVES BY BUYING CROP INSURANCE. FINALLY, WE BELIEVE THAT CROP INSURANCE CAN BE BETTER COORDINATED WITH OTHER USDA ACTIVITIES. FOR EXAMPLE, A PRODUCER SHOULD BE ABLE TO CERTIFY CONSERVATION COMPLIANCE ONCE, AND HAVE IT BE SUFFICIENT FOR ALL USDA AGENCIES.

MOST OF THE DEPARTMENT'S CONSERVATION AND ENVIRONMENTAL PROPOSALS REFLECT IDEAS THAT FARMERS UNION INCLUDED IN OUR FARM BILL PLAN. FOR EXAMPLE, WE STRONGLY SUPPORT THE IDEA OF A MULTI-YEAR SET-ASIDE TO GIVE PRODUCERS THE OPPORTUNITY TO ESTABLISH A COVER CROP. NOT ONLY DOES THIS BENEFIT THE SOIL, BUT SUCH ACREAGE COULD SERVE AS A FORAGE RESERVE IN TIMES OF DROUGHT. WE FEEL THIS WOULD BE A BETTER ALTERNATIVE THAN HAYING AND GRAZING HIGHLY ERODIBLE LAND ENROLLED IN THE CONSERVATION RESERVE PROGRAM (CRP). WE ALSO SUPPORT EXPANDING THE ELIGIBILITY CRITERIA FOR CROP, WITHIN EXISTING ACREAGE LIMITS, TO ACCOMMODATE OTHER TYPES OF ENVIRONMENTALLY SENSITIVE LANDS.

MR. CHAIRMAN, CONGRESS HAS SET AN AMBITIOUS SCHEDULE FOR ITSELF, WITH THE FARM BILL AND THE BUDGET RECONCILIATION BILL BOTH INTENDED FOR FLOOR ACTION IN MID-JUNE. THE TASK IS ENORMOUS, AND WE APPRECIATE THE LEADERSHIP YOU HAVE SHOWN AND YOUR WILLINGNESS TO SEEK THE INPUT OF FARMERS AND RANCHERS. WE LOOK FORWARD TO WORKING WITH YOU AS THE PROCESS UNFOLDS, AND I WOULD BE HAPPY TO ANSWER ANY QUESTIONS YOU MIGHT HAVE.

(Attachments follow:)

Attachment #1: Excerpted from the Section by Section Analysis of the National Farmers Union's 1990 farm bill proposal:

Title 3 Wheat and Feedgrains

Subtitle A: Common Provisions

Sec. 301: Statement of purpose to establish a voluntary program to manage our abundance, using actual yields, with bases in units of production which: improves farm income; reduces government costs through higher market prices and targeted program benefits; and recognizes that demand includes an adequate reserve supply.

Sec. 302: (a) Direct ASCS county offices to convert existing acreage bases to normal crop acreage unit of production bases for all program crops by multiplying the number of acres times --

(1) the producer's existing yield, or

(2) at the election of producers with at least five years of farm production records (excluding declared disaster years), the producer's actual yield, or

(3) in the case of new producers, the county average yield.

(b) Direct the Secretary to determine state and national total production bases for each program crop.

Sec. 303: (a) Direct the Secretary to establish national production goals for wheat and feedgrains based on domestic, export, and reserve needs, and consistently stated as a quantity of units of production.

(b) Direct the Secretary to compare the total production base for each crop with the national production goal for that crop and apply the ratio to the national, state, county and individual production bases to determine the percentage of base to be produced to meet national production goals.

(c) Direct the Secretary to set aside, on a statewide basis, a pool of 10 percent of the production base for each program crop produced in that state. The pool shall be available for the following purposes --

(1) adjustments or corrections to individual producer bases established in section 302(a);

(2) allocation of base to new producers;

(3) trading of a reasonable percentage of a producer's units in one program crop for a relative amount of units in another program crop, including programs in titles 4 (cotton), 5 (oilseeds), and 7 (rice), provided that --

(A) the Secretary shall decide what percentage of units may be traded; and

(B) producers apply to their local ASCS office with no units traded until the close of an application period; and

(C) priority shall be given to producers seeking to trade units for the purpose of establishing a soil-conserving crop rotation.

Sec. 304: For grain that a producer grows with the intention of feeding it to his own livestock, the producer may certify his production to the county ASCS office. Individual farm determinations should be made at the county level with appeal rights to the state and national ASCS offices.

Sec. 305: (a) A producer who is a participant in any commodity program under this title, title 4 (cotton), title 5 (oilseeds), or title 7 (rice), during any of the crop years 1991 - 2003, who subsequently chooses not to participate in any commodity program, must remain a non-program producer for two years before being eligible to re-enter a commodity program.

(b) A producer described in subsection (a) must relinquish 10 percent of the producer's normal crop base for each year that the producer remains outside of a commodity program.

Sec. 306: (a) Production in excess of the percentage of a producer's normal crop base necessary to meet a producer's share of the national production goal may not be marketed during the same marketing year, but may be stored by the producer for use as a form of tangible crop insurance for ensuing years.

(b) If production in excess of the percentage of a producer's normal crop base necessary to meet a producer's share of the national production goal is transferred in any way to a non-program participant, both parties to the transaction are guilty of a felony.

Sec. 307: (a) A producer may enroll up to 20 percent of the normal crop base into a soil restoring crop rotation program for up to three years.

(b) The Secretary shall make soil restoration payments to producers during the enrollment period based on the fair rental value of the acreage which would have been used to producer the percentage of the normal crop base enrolled. If the producer has not established actual yield data, the county ASCS office may assign a reasonable yield.

Sec. 308: Producers signing up for programs under this title enter into binding contracts. Willful violations of those contracts will result in a five-year revocation of program eligibility.

Sec. 309: Retain the $50,000 deficiency payment limitation.

Subtitle B: Wheat

Sec. 311: (a) Target prices will be tied to the full cost of production, plus a reasonable rate of return, on a commodity base which will sustain a family-sized unit.

(b) Authorize the Secretary to provide target price enhancements of up to 10 percent to producers engaged in sustainable agricultural practices, including integrated pest management and other reduced input techniques.

Sec. 312: (a) Notwithstanding any other provision of law, loan rates will be increased to 75 percent of the target price.

(b) The "Findley amendment," authorizing the Secretary to further lower the effective loan rate, would be repealed.

Sec. 313: Deficiency payment equals allowed unit of production base times the difference between the target price and the higher of the market price or the loan rate.

Sec. 314: EEP will be used by the Secretary to ensure the level of exports is equal to the projection made prior to seeding so that no excess carryover is maintained as a cost to the taxpayer.

Kansas Farm Bureau

PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON AGRICULTURE

Subcommittee on Wheat, Soybeans, and Feed Grains

RE: The 1990 Farm Bill

February 16, 1990
Wichita, Kansas

Presented by:
Melvin (Mel) Thompson
Farmer, Producer

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to bring comments to you as you prepare in the Subcommittee to take recommendations back to the full Committee on Agriculture concerning wheat, soybeans and feed grains.

For the record, Mr. Chairman, my name is Mel Thompson. I have a diversified farming operation. We have wheat and feed grains. We raise cattle. It is my privilege to represent several counties in my area as a member of the Resolutions Committee for the Kansas Farm Bureau. The whole committee is made up of farmers and ranchers. We make recommendations for and on behalf of farmers and ranchers to the delegate body of our organization where still more farmers and ranchers make the policy positions for this organization. What I report to you today reflects the kind of things our people have said they would like to see in the 1990 Farm Bill.

Let me say right up front Mr. Chairman that it is our hope you will have a bill before the August recess. We think it's important that the Congress develop the legislation early so that those of us out in the country will know ... reasonably early ... how to plan for and prepare for our operations over the course of the next five or more years. Let me secondly say, Mr. Chairman, that we generally liked the direction established by the Food Security Act of 1985. And we hope you will continue in that direction as you develop the 1990 Farm Bill.

First and foremost we want to continue moving toward a market-based, export-competitive agriculture. I said continue in that direction because you gave us that kind of climate with the Food Security Act of '85. We want to have a climate of opportunity, Mr. Chairman. That means as we continue toward market orientation, don't pull the rug out too quickly but let's continue to have less and less government reliance, more and more producer decision making. And I think you'll achieve that as you look realistically at target prices. Probably the best thing would be to hold target prices at 1990 levels. Much less, and you would certainly see unacceptable income levels throughout rural America.

Our major concern is for suitable income for our members. We think we can achieve that with modest levels of assurance from the federal government and we say that because we believe we recognize the political and fiscal realities in this country. But it's not just a matter of what the realities are in the United States.

We're involved in important trade negotiations. We know that some of the other countries have ideas far different from ours, yet there are those who are willing to hear our views in the GATT talks.

Three or four points specifically now on the commodities for which your Subcommittee has direct responsibility. I believe I speak a nearly universal producer language when I say to you that we want, we need the opportunity ... **the flexibility** ... to plant what is appropriate to our geographic area and to utilize our land and other resources to the maximum advantage. We think we should be allowed to plant some of the program crops or, for that matter, approved nonprogram crops on the base acreage for the farm. We know how many acres we're operating. We're saying: Let us plant and use the reasonable, appropriate rotations we need to use, and not be penalized with crop specific bases and losses of those bases if we don't stay within "beltway" guidelines.

We favor continuation of the wheat and feed grains programs pretty much the way you've had them in the Food Security Act. Production adjustment should be implemented through voluntary programs.

We suggest you continue to use carryover trigger levels to determine the size and scope of any acreage reduction programs.

We support crop insurance in place of disaster assistance. It would take a while to get there and certainly the crop insurance program must be actuarially sound, workable and equitable. Crop insurance should be available but its use should not be linked to program participation. Producers will use a good product. And the government could assure this program by privatizing it and being the reinsurer.

In conclusion, Mr. Chairman, let me summarize our major points again and indicate to you that our main points will be laid out on a sheet attached to my testimony.

Our major objectives in the 1990 Farm Bill are these:

- Continued competitiveness in world markets for all of our crops, particularly our wheat, soybeans and feed grains;
- Government assistance to the extent of an assurance level for farm income;
- Continued movement in the direction of a market-oriented program with producer flexibility and producer management decision-making opportunities; and
- Follow the general direction of the Food Security Act of 1985.

We thank you for the opportunity of sharing these thoughts with your Subcommittee and we would be pleased to respond to any questions.

(Attachment follows:)

Attachment A

Farm Program Implementation

We support enactment early in 1990 of a five-year or longer farm bill which will continue to move the United States in the general direction of a market-based, export-competitive agriculture, a direction established and begun by the Food Security Act of 1985. Planting flexibility, producer decision-making on utilization of base acres, and market-orientation must be clearly established in the 1990 Farm Bill.

The 1990 Farm Bill should incorporate the following features:

1. All deficiency payment rates should be determined by using the first five months of the marketing year, and by using the weighted average calculation. Final payment should be made promptly and in full following the calculation.

2. Producers should be allowed flexibility to interchange base acres. New flexibility provisions should be responsive to market signals. They should encourage good rotation practices that are agronomically and environmentally sound. We want to increase the ability to respond more quickly to changes in the market and avoid situations where producers are forced to plant the same crop every year to preserve base acres. From an environmental viewpoint, the use of flexibility will help minimize the use of pesticides to control insects, provide greater rotation capability, and reduce the reliance on herbicides to control problems weeds that build up resistance to herbicides. A Normal Crop Acres (NCA), or Whole Farm Base approach would incorporate these features.

3. Storage payments to producers should be the equivalent of those made to commercial storage warehouses.

4. An effective and consistent set-aside program and procedure, based on commodity carryover and world utilization, should be written into law and should not be left to the discretion of the Secretary.

5. Deficiency payments should not be reduced or crop bases adjusted because plantings were less than permitted.

6. The underplanting provision to prohibit the planting for harvest of any nonprogram crops on the "underplanted" acres should be clarified.

7. If a payment limitation is in effect, no rules in defining a person should penalize farm operators who legitimately share labor, equipment and other resources as a normal course of operation. Payment limitation information should be modified to require only basic information from farmers.

HOUSE AGRICULTURE FIELD HEARING

SUBCOMMITTEE ON WHEAT, SOYBEANS, AND FEED GRAINS

1990 FARM BILL

FEBRUARY 16, 1990

Oral and Written Testimony
by
Nancy Spiegel

Thank you, Mr. Chairman, and members of the Committee for bringing this hearing to Kansas.

I am Nancy Spiegel, National Spokeswoman for Women Involved in Farm Economics (WIFE) and President of Kansas WIFE. I am from Formoso which is located in Jewell County in the northcentral part of the state. My husband, son, and I raise dryland grains---hard red winter wheat and milo sorghum. I am involved in our family farm operation; I keep financial and accounting records, run tractors, haul fuel and anhydrous ammonia to the fields, run augers and fill grain drills, and share in the decision making.

WIFE is a grassroots organization committed to improving profitability in production agriculture through education, legislation, communication and cooperation. WIFE believes that a strong secure economy in the United States is directly related to a strong healthy economy in agriculture, and that improving profitability on the farms and ranches of this country is essential for rural and urban populations to improve their standard of living.

I am pleased to speak to you today on behalf of the members of WIFE regarding the 1990 Farm Bill.

WIFE endorses the spirit of the 1985 Food Security Act to maintain an economical and abundant food supply for the American people while providing income protection for producers. The Food Security Act has brought about some improvements and better conditions for the U.S. producer compared to the conditions of 1985.

The Export Enhancement program, TEA program and PL 480 have helped to move large supplies of grain into the market place and those burdensome inventories are no longer hanging over our heads. (Of course, 2 years of drought [1988 and 1989] can be credited with some decrease in supplies!) This has brought an improvement in prices.

However, expanded acreages can lead to build-up of burdensome supplies, again, depressing prices in times of abundance. I would like to emphasize that our policy be toward sound management of supplies, including adequate reserves to meet domestic and export needs.

Flexibility seems to be the current "buzz word" for the 1990 Farm Bill; WIFE supports a consistent and constant NCA (normal crop acres). Each farmer would be able to make his planting decisions based on what best suits his land, farming practices and conditions. In some parts of Kansas the dry conditions of the past two years have caused an increase in the number of chinch bugs. These insects attack growing milo and diminish the crop and in some cases, if bad enough, destroy the crop. With the dry conditions, warmer than normal winter temperatures, and increased bug numbers there is great concern about the 1990 milo crop; is it smart to plant milo under these conditions? The producer's choice might be some other crop to minimize crop losses, but because a producer is required to plant milo so as not to lose base, many will go ahead and plant that milo. (A really wet growing season would help eliminate the bug problem---wet conditions cause a fungus to attack the chinch bugs and diminish their numbers.) Producers do not want to risk the loss of their crop base.

Target prices have brought some security to this farming business, though they were legislated downward in the 1985 Food Security Act. WIFE would like to see target prices frozen at the 1990 level with consideration for inflation. Farmers are one segment of the American population that does not get a cost of living increase to compensate for inflation. Please bear in mind, that if the target price for wheat is frozen at $4 and the inflation rate is 5% for the each of the next five years, the purchasing power will only be $3 by 1995.

We also recommend that deficiency payments be based on a 6-month average making a final payment in December--so that the producer receives that payment no later than December.

We support a marketing loan program for soybeans that would eliminate stock buildup and help keep market prices competitive for U.S. soybean farmers.

WIFE encourages U.S. grain standards to be set to equal or surpass the standards of our world wide competitors. We applaud the efforts for improved standards that are being explored.

Federal Crop Insurance is a management tool that can be utilized by the producer to minimize his risk; however, the current program must be made more beneficial to the producer and less complex. It must pencil out as an effective way to cover potential crop loss due to weather and uncontrollable factors. (WIFE's recommendation is attached.)

WIFE is continuing to pursue the elimination of ASCS Regulation Section 7 C.F.R. 795.11 regarding "person status" for qualifying farm wives. Mr. Glickman, we appreciate the changes that you and Mr. Huckaby made in 1987 to get this situation partially resolved in the case of women who owned a farm prior to marriage. But this did not resolve the issue when women inherit farmland; nor did it solve the situation for that farm wife who is actively involved in the farm operation. This did not address the women after marriage.

This denial of "person status" to women who can meet the same criteria as any other qualifying adult is indeed discriminatory. It is clear that there is not an understanding of the role that farm wives play in many farming operations around the country today. "You've come a long way, baby" may apply to today's woman; but farm wives have not come a long way as far as ASCS and USDA concerned. Why are we required to have 2 drivers licenses, 2 social security numbers, 2 signatures on income tax forms if husband and wife are "one person"?? This is an **EQUITY** issue!!

Legislation was introduced by Congressman Ron Marlenee in July '89 --- **HR 2973 The Farm Spouse Fairness and Equity Act.** It has 13 co-sponsors on both sides of the aisle including Kansas' Congressman Pat Roberts. We are actively pursuing support for this legislation and would like to see corrective action on this issue taken as part of the 1990 Farm Bill.

Women are acquiring land and farm operations after marriage. She is not being allowed by USDA to keep that as her sole and separate farm operation, if that is her wish.

> A WIFE member who had land given to her by her father upon his death has that land in her name but the ASCS automatically co-mingled it with that of her farmer-husband, without regard for her wishes. The farm is 100 miles from her husband's.
>
> Two sisters will inherit land from their parents --- one sister is married to a farmer and the other is not. The sister married to the farmer will be unable to qualify as a "person" because she is married to a farmer; the sister not married to a farmer is considered a "person".
>
> A woman in Minnesota purchased her own farm with money she made in her accounting job; but irregardless of her wishes, it was co-mingled with that of her farmer-husband.

This legislation also addresses the problem that has also developed with multi-year government contracts such as CRP and the Dairy Buyout.

> A Colorado woman and her husband had signed a dairy herd buyout contract. Her husband has since died. The USDA denied her the buyout payments since her husband had died...not honoring a long-term contract because she was a woman married to a farmer. She had to get a lawyer to correct the situation. Why should she have had to?
>
> An Oregon woman inherited a farm from her parents which had been under CRP contract. But it was immediately co-mingled with the CRP farm of her farmer-husband and payments on the inherited farm were lost. The payments are supposed to go with the land!

WIFE FEELS THE RULES SHOULD BE FAIR ACROSS THE BOARD. Farm wives are required to sign all operating loans and are just as responsible for those debts as their husbands. If he skips out, she is still liable for those debts!! This regulation of the ASCS echoes of days past when women couldn't vote, hold office, inherit land or own property.

I personally don't think that this is a high-cost item, even though USDA says it is. Let me emphasize that WIFE IS NOT asking that every farm woman be given a payment...only those who can qualify by the same criteria as any other adult participant. According to a report from USDA's Inspector General's office, USDA overpaid $66 million in fiscal '87; this mismanagement of funds should have gone to deserving owners and operators.

It's appalling and immoral that unmarried men and women can live together and be considered separate "persons". This denial to married farm wives is actually "marriage penalty". Is divorce the answer??

Other areas of concern for the 1990 Farm Bill are the Conservation and Environmental programs---remember that the American farmer is the first environmentalist. We are concerned about the environment and would be the first to lose if we did not take care of our soil, air, and water because we depend on the environment for our livelihood. Programs should reflect agriculture's on-going concern for continued productivity of the land and healthy food for the consumer. When considering programs such as LISA (Low Input Sustainable Agriculture) we would ask that you keep in mind WIFE's definition of "sustainable agriculture"---"an agriculture system that will allow profitabilty and competitiveness while sustaining the environment (land, air and water), its people and its communities."

I think we have a safe food supply---the safest and most abundant in the world. Our capability to detect such minute amounts of anything has exceeded our ability to comprehend. We do not publicize the benefits compared to the risks factors enough. The benefit/risk ratios should be used for future food safety decisions and should be based on true scientific facts---not hysteria. We hope you will make these decisions based on facts and we will all be the winners.

The United States must maintain it's food and fiber producing capabilities; we have an agricultural system that is the envy of the world---we must not jeopardize it

On behalf of WIFE I thank you for this opportunity to share our ideas and concerns with you.

I would be glad to answer any questions that you might have.

(Attachments follow:)

WIFE Women Involved In Farm Economics

FEDERAL CROP INSURANCE

WHEREAS, natural disasters are devasting to producers of food and fiber when prices of commodities are far below productions costs, and

WHEREAS crop insurance presently does not reflect variation in the amount of risk or ability to handle risk,

WHEREAS the present Federal Crop insurance program is too expensive and the record keeping and paperwork are too complex, and

WHEREAS there have been frequent changes in program rates, rules and policies,

THEREFORE BE IT RESOLVED that WIFE supports Federal Crop Insurance that:

1. is less complex and more easily understood and that benefits the producer,
2. will reflect a producer's cost of production (fixed and variable costs),
3. accurately uses a producer's most current yields and guanrantees yields would go no lower than historic county average,
4. may be purchased at affordable premium rates,
5. provides coverage based on units of production (bushels or pounds),
6. does not discriminate against location, farming practices, or number of land units,
7. is voluntary,
8. issues timely payments.

AND BE IT FURTHER RESOLVED until Federal Crop Insurance is improved and more beneficial to producers, WIFE supports retention of federal disaster relief programs.

WIFE Policy --- 1990

STATEMENT OF DOUG WILDIN, PRODUCER, HUTCHINSON, KANSAS

Representative Dan Glickman, Chairman, House Subcommittee on Wheat, Soybeans and Feed Grain:

Mr. Chairman, my name is Doug Wildin from Hutchinson. I am a farmer and real estate broker. I would like to thank you for holding this hearing out here in the country where it is convenient and possible for farmers to participate who would otherwise be unable to do so. And I hope there will be some information presented here that will be helpful to you in formulating a Farm Bill that accurately reflects the needs of farmers.

I sincerely believe that one of the important elements of a new farm bill is target prices that include a COST OF FARMING ADJUSTMENT (COFA if you will) due mainly to the following reason:

I just received a copy of a 5-year projection of farm commodity prices and production expenses from the USDA to be used by FmHA borrowers as a guideline for cash flow statements for FmHA farm operating loans.

This projection forecasts farm commodity prices to average no higher in 1995 than in 1990 BUT the USDA is predicting a 25% INCREASE in farm production costs by 1995! If this proves to be true, I believe you can well imagine the wreck that will again occur out here in farm country unless target prices increase in proportion to our production expenses. In any event, farmers certainly deserve some kind of protection against such an eventuality just the same as many others in America do.

Some of the many applications of the CPI are collective bargaining agreements, long-term rental contracts, insurance policies with automatic inflation protection, alimony payments, Social Security beneficiaries, retired military and Federal Civil Service employees and survivors, and the eligibility of and benefits for food stamp recipients, and adjustments in the income tax structure to prevent inflation-induced rate increases. No doubt there are many more.

I realize there is move afoot to reduce the cost of farm programs but with parity prices averaging only about 65% of parity, how could anyone argue that farmers haven't already taken more than their share of cut in prices?

On another subject, I hope you and your committee will make every effort to prevent the substitution of Ag Options for the CCC grain loan floor, target prices and/or federal crop insurance. I have a feeling that the Secretary of Agriculture is likely to have that as one of his unannounced ingredients for a new farm bill.

Substitution of Ag Options for a part of the government farm program could very well wind up being accurately described as "The Farm Commodity Price Instability Act of 1990".

Thank you for allowing me to present my views.

(Attachments follow:)

FROM USDA: TO BE USED BY FmHA BORROWERS
in projecting cash flow
statements for FmHA LOANS.

Kansas AN No. 800(1924)
Exhibit A
Page 1

Cash Commodity Prices

Commodity	Unit	Price 1990 $	1991 $	1992 $	1993 $	1994 $	1995 $
Corn	bu.	1.69	1.65	1.69	1.92	2.01	1.92
Soybeans	bu.	5.21	5.06	5.21	5.98	5.98	5.83
Wheat	bu.	2.99	2.91	2.86	2.82	2.78	2.78
Barley	bu.	1.79	1.70	1.70	1.75	1.70	1.70
Oats	bu.	1.60	1.56	1.56	1.65	1.65	1.65
Milo	bu.	1.45	1.40	1.45	1.66	1.66	1.62
Alfalfa hay (big round bales)	ton	79.20	76.90	75.80	74.60	73.50	73.50
All other hay	ton	65.80	63.90	63.00	62.00	61.10	61.10
Milk (Grade A)	cwt.	11.31	10.82	10.72	10.72	10.72	10.33
Milk (Grade B)	cwt.	10.39	9.90	9.82	9.82	9.82	9.64
Cows	cwt.	48.56	45.18	46.89	43.87	42.70	43.47
Steers & heifers (above 500#)	cwt.	77.14	71.78	74.49	69.70	67.84	68.99
Calves (less than 500#)	cwt.	97.03	90.29	93.71	87.68	85.25	86.78
Sows	cwt.	43.43	39.00	36.34	41.67	44.33	41.67
Pigs (less than 50#)	cwt.	98.35	88.32	82.28	94.35	100.39	94.35
Market hogs	cwt.	48.08	43.18	40.23	46.13	49.08	46.13
Sheep	cwt.	29.60	27.60	28.60	26.90	26.20	26.40
Lambs	cwt.	66.50	62.10	64.30	60.20	58.30	59.75
Non-farm projected increase from 1989		10.0%	15.3%	20.5%	25.3%	29.9%	34.0%

Production and Living Expenses

Expense Item	Projected Change from 1989 1990	1991	1992	1993	1994	1995
Fertilizer	7.1%	10.3%	15.0%	18.8%	24.0%	28.2%
Chemicals	6.0	8.7	11.9	14.3	17.6	20.3
Energy (fuel, electricity,oil,etc.)	4.7	9.9	15.5	20.9	25.9	30.6
Other expenses	5.0	7.1	10.1	12.8	15.8	18.7
Family living expenses	8.3	12.2	16.1	19.7	23.0	25.8

Borrowers with a history of participation in Government Commodity Programs should have deficiency payments included in their plan. This information is to be obtained from the County ASCS Office.

MONEY

INTEREST COSTS DOWN IN 1990

Reports from agricultural lenders across the country indicate that interest rates on short-term operating loans will trend down this year, accompanying a predicted easing of credit by the Federal Reserve.

John Marshall, of the Bank of Pontiac in Pontiac, Illinois, says interest rates on operating loans will probably hover at 12% with a chance to dip to 11.5%. Rates were 12.5% for much of 1989, he says.

Across the state at the National Bank of Monmouth, Illinois, Les Allen is also expecting an easing of credit, but it depends on what happens to the prime rate, he says. (The prime is the rate offered by large U.S. banks on corporate loans. It averaged 10.8% in 1989.) Allen is expecting a heavy demand for credit due to a third year of drought in the area.

"We'll see a range of rates from 11½% to 12½%," says Bert Follett of the Cheyenne County State Bank in St. Francis, Kansas.

Follett notes the improved economic condition of agriculture will make his job much more enjoyable in the 1990s than in the past decade. "Our rates peaked at 18½% in 1981 and we were paying 16½% on CDs just to keep agriculture afloat . . . it was a terrible situation," he recalls.

Ray Daniel of the WEFA forecasting group in Philadelphia expects the prime to average around 10% in 1990 and 1991. "There's just not as many reasons for interest rates to increase, with the economy slower, as there were earlier (late 1980s)," he explains.

Further easing down the road

Successful Farming® magazine business columnist Bill Helming predicts that credit conditions will continue to ease in the 1990s as an economic recession grips the country.

"Sometime between now and 1994 or '95, the prime will have gone from 11.5% (spring 1989) to 6%–6.5%," Helming predicts.

A survey by the Norwest Bank Corporation in Minneapolis reports an average operating loan rate of 12.3% at ag banks in the region during the fall of 1989. Norwest economist Larry Wipf expects rates to trend down this year—anywhere from ½–1%. He explains that a weakening economy will likely lead the Federal Reserve to ease credit rates in 1990.

Operating loan demand for corn and soybean production will probably remain steady, as acreage is expected to be unchanged, Wipf says.

Spring wheat acreage, however, is expected to increase by 7%, and that may lead to more loan demand in the upper plains states, Wipf says.

Demand for machinery-purchase loans will depend on the weather, Wipf notes. Timely rains would likely increase loan demand by farmers needing [illegible] replace equipment.

A majority of ag bankers in the region anticipate the same loan demand through the third quarter of 1990 as 1989. Overall, 28% of ag banks expect an increase in demand, 59% anticipate no change and 13% expect a decline in loan demand, according to the survey.

COLA FOR TARGET PRICES?

Does the farm bill need a cost of living adjustment? It might.

Many people are suggesting that target prices will be held constant in the new farm bill; even so, inflation will force real price support levels down.

For example, if the target price for corn stays at $2.75 through the life of the 1990 farm bill, by 1995—with 5% inflation—the target price would really be $2.15 (in 1989 dollars), explains C. Robert Taylor, Auburn University ag economist. At 10% inflation, the corn target price would be $1.71/bu.

"Inflation will effectively phase out the price support, and the incentive to participate in the program goes away . . . a cost of living adjustment would be a nice addition to the farm bill," he says.

When inflation is at 10%–20%, like in the early 1980s, it's more on our minds than when it hovers below 5%, he says. But even at a small percent a year, it nibbles away at the farm program income support prices over a five-year period.

BY JENNIFER DORSCH
ASSISTANT BUSINESS EDITOR

STATE OF KANSAS

OFFICE OF THE GOVERNOR
State Capitol
Topeka 66612-1590

Mike Hayden *Governor*

(913) 296-3232
1-800-432-2487
TDD# 1-800-992-0152
FAX# (913) 296-7973

STATEMENT OF GOVERNOR MIKE HAYDEN
TO
THE HOUSE AGRICULTURE COMMITTEE FIELD HEARING
WICHITA, KANSAS
FEBRUARY 16, 1990

Mr. Chairman and Members of the Committee, it's my pleasure to appear before you regarding a topic of great importance to the State of Kansas, the 1990 Farm Bill.

It is appropriate that this hearing should be held in Kansas given that we are normally the lead state in the country in production of wheat, grain sorghum, flour and processed beef. Also, we are in the top ten in production of virtually every major agricultural commodity except rice, citrus and bananas. Agriculture is central to our economy and our people . It provides to many in our state, both a lifestyle and a way to make a living. Because of the central importance of agriculture to the state, I wanted to make known to you my feelings and recommendations as Governor regarding the 1990 Farm Bill.

The 1985 Food Security Act has by and large been highly successful in Kansas. I would certainly recommend building from the base of that highly successful piece of legislation. However, adjustments do need to be made in the 1985 Act. One specific need would be greater flexibility. I recommend, and this has been adopted by the National Governor's Association, that we move from a crop specific set aside to a total farm base (TFB) concept.

The total farm base (TFB) program would involve the aggregate number of acres of all program crops produced on a given farm. Then, rather than reducing acreage of a specific crop, a farmer could qualify for federal benefits by placing a portion of the total farm base into conservation use and be free to plant whatever mix of crops is chosen by the farmer on the remaining acreage. The farmer would produce according to net farm income, consumer needs, and environmental concerns rather than governmental demands. Kansas farmers want to produce for the market, not for the government. The TFB concept would allow that shift.

I am further recommending to you to broaden the conservation programs in the next farm bill. I support the establishment of an environmental conservation acreage program. This program would expand the existing Conservation Reserve Program to permit areas inhabited by endangered species or environmentally sensitive areas to be eligible for the benefits offered by the Conservation Reserve Program. I further recommend to include wetlands, riparian areas and lands that influence water quality in the eligible acreage for the CRP program. I believe we need to provide additional incentives as needed to establish longterm conservation practices such as the establishment and inclusion of existing trees and windbreaks in the CRP program. I support cost sharing for pilot projects in the establishment of artificial wetlands for the control and cleansing of run-off waters from feedlots, livestock operations and packing plants.

In the area of competitiveness, I strongly support the continued availability and use of the Export Enhancement Program as an export trade policy tool. We should provide support for research on agricultural production systems which may reduce the use of energy, water and agricultural chemicals. Furthermore, we need to provide funding to agricultural research and extension systems to meet the constant economic and technical changes in agricultural and Rural America.

In the area of rural development, it is my belief that rural assistance programs must be directed toward the enhancement and creation of jobs in rural areas. This can be accomplished through programs of education, infrastructure investment, and economic development projects.

As well, I support the push by the Kansas State Board of Agriculture for more non-food uses of agricultural commodities.

The recommendations as presented must be implemented at a cost of no more than the funds expended for the Food Security Act of 1985. If additional funding is needed for a new or existing program, those funds should be diverted from other existing programs that are of a lower priority and necessity.

At my request most of these proposals have been adopted by the National Governor's Association as their policy toward the 1990 Farm Bill.

Mr. Chairman and Members of the Committee, Kansas needs a vibrant, strong agriculture economy. One key to a strong agriculture economy is a good common sense agricultural policy out of Washington. The points I have outlined, I believe, will build on the successes of the 1985 Food Security Act and make the 90 Farm Bill even better for agriculture in this country.

Mr. Chairman, thank you for this time before you. I would be happy to respond to any questions.

By

Andrew P. Barkley

Assistant Professor

Kansas State University

I have been asked to briefly summarize the results of a national survey of farm operators conducted by Kansas State University and twenty cooperating Land Grant universities. Both my comments and my written testimony will be quite concise, as I am submitting two publications to the Committee record that report the details of the survey results. These publication are U.S. Farmers' Preferences for Agricultural and Food Policy in the 1990s, by Harold D. Guither, et al., and Options for the 1990 Farm Bill: Kansas Farmers Speak, by Barry L. Flinchbaugh and Andrew P. Barkley. Interested persons are referred to these publications for a more detailed report of the survey.

Kansas Component of the Twenty-One State Survey

A sample of 3000 farm operators in Kansas was drawn from a list of over 75,000 farm operators in the State of Kansas by the State Statistician's Office in Topeka. The Census definition of a farm is employed in this survey: any place capable of selling at least one thousand dollars in agricultural products in a year.

Questionnaires were mailed to the 3000 operators in the sample, and 1221 usable surveys were returned. Not all of the returned surveys were usable due to incomplete questionnaires. The response rate of approximately forty percent is considered to be excellent for a survey of this type.

The Kansas respondents were fairly representative of the national sample, although Kansas farm operators are more likely to be grain or mixed grain and livestock producers than the operators in the national survey. As a result, a greater percentage of Kansas respondents are enrolled in commodity programs than the respondents from the other twenty states.

Commodity Programs

The most frequent response of Kansas farm operators to the survey question, "What should be the policy toward production controls and associated price supports after the 1985 Food Security Act expires in 1990?" was "Keep the present programs" (37%). The second most frequent response was "Gradually eliminate commodity programs" (31%). The responses of mandatory supply control and decoupling each received approximately twelve percent of the total Kansas response.

The aggregate national responses were similar, with 35 percent of the polled operators in favor of the gradual elimination of government programs and 33 percent desiring an extension of the status quo as established by the Food Security Act of 1985.

Type of Acreage Base

Sixty-three percent of the Kansas respondents and 47 percent of the national survey respondents favored a "total acreage base," as outlined by the Administration in the recent proposal of February 7, 1990. Twenty-four percent of the Kansas operators and 31 percent of the national operators indicated a desire to maintain the present program of crop-specific acreage bases.

Crop Insurance

The survey responses on the preferred policy on crop insurance are diverse. Thirty-six of the Kansas respondents and 33 percent of the twenty-one state survey respondents desired to keep the present programs of government subsidized insurance. Slightly less popular was the Secretary of Agriculture's recent proposal to eliminate crop insurance and rely on disaster payments, with 26 percent of the Kansas respondents and 21 percent of all respondents desiring this type of change in policy direction. Approximately 12 percent of the Kansans surveyed favored each of the following; elimination of all disaster programs, mandatory crop insurance, and the response "not sure." National survey results on crop insurance and disaster aid are similar to the Kansas results.

Trade

Fifty-five percent if Kansas farm operators and 48 percent of all farm operators were found to be in agreement with the continuation of the Export Enhancement Program and other export subsidies. However, when questioned about negotiating worldwide trade barrier reductions, 74 percent of Kansas operators and 71 percent of the national respondents desired to see further negotiated reductions.

These survey results seem to indicate that farm operators feel that if other nations are distorting international trade with export subsidies, then the United States should follow suit. However, farm operators indicate a preference for the movement of all nations towards multilateral trade barrier reductions.

Conservation and the Environment

Sixty-six percent of Kansas farm operators agreed with governmental regulation of land use to reduce water pollution. When confronted with a list of possible methods of improving soil conservation and water quality, a majority of Kansas respondents preferred cost-sharing (58%) over the alternatives of the regulation of farming practices (12%), taxes (20%), and the modification of cultural practices (19%).

Sixty-one percent of the surveyed Kansas operators prefer the continuation of conservation compliance as a prerequisite to receiving program benefits. The aggregate survey respondents mirrored this preference, with 60 percent in favor of the continuation of conservation compliance.

The Conservation Reserve Program is a popular program among Kansas operators, as indicated by both the high participation rate (23%) and the desire of 76 percent of the respondents to either maintain or expand the acreage devoted to the CRP. Nationally, the CRP has a 12 percent participation rate among survey respondents, with 60 percent in agreement with maintaining or expanding the amount of erodible land in the Conservation Reserve Program.

Federal Budget

Forty-two percent of the Kansas operators were in agreement with the proposal that the federal deficit should be reduced by reducing farm program expenditures, and 43 percent of all farm operators agreed. In Kansas, 37 percent expressed disagreement with reductions in farm program expenditures and 34 percent expressed disagreement nationally.

(The publication, "Options for the 1990 Farm Bill: Kansas Farmers Speak" is held in the committee files.)

(Attachment follows:)

U.S. Farmers' Preferences for

AGRICULTURAL AND FOOD POLICY IN THE 1990S

North Central Regional Extension Publication 361, North Central Regional Research Publication 321, Illinois Agricultural Experiment Station Bulletin 787

CONTRIBUTING AUTHORS

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Many individuals contributed ideas from which the questions asked were derived. In each state, one or more agricultural economists supervised the sampling; the distribution of the questionnaire; and the editing, processing, and reporting of the data from which this composite report was assembled. Persons contributing to the research in the participating states were:

North Central

Illinois: Harold D. Guither, Extension Economist, Public Policy, and Professor, Agricultural Policy; Robert G. F. Spitze, Professor, Agricultural Policy; Alexander Amuah, Research Assistant, Agricultural Economics, University of Illinois.

Indiana: Bob F. Jones, Extension Economist, Public Policy, and Professor, Agricultural Economics; Marshall A. Martin, Associate Professor, Agricultural Economics; Dennis Shields, Graduate Research Assistant, Purdue University.

Iowa: Mark A. Edelman, Extension Economist, Public Policy; Paul Lasley, Extension Rural Sociologist, Iowa State University.

Kansas: Barry L. Flinchbaugh, Extension State Leader, Agricultural Economics; Andrew Barkley, Assistant Professor, Agricultural Economics, Kansas State University.

Michigan: Vern Sorenson, Professor, Agricultural Economics; Laurie A. Cummings, Research Assistant, Michigan State University.

Missouri: Bruce Bullock, Director, Agricultural Experiment Station, University of Missouri.

Nebraska: Lynn Lutgen, Extension Economist, Public Policy, University of Nebraska.

North Dakota: Norbert A. Dorow, Extension Economist; Roger Johnson, Professor, Agricultural Economics, North Dakota State University.

South Dakota: Larry Janssen, Professor, Economics, South Dakota State University.

Wisconsin: Ed Jesse, Professor, Agricultural Economics, University of Wisconsin.

West

Arizona: Harry Ayer, Extension Economist, Public Policy, University of Arizona.

Idaho: Neil L. Meyer, Extension Agricultural Economist, University of Idaho.

Washington: Robert L. Sargent, Extension Economist, Washington State University.

South

Alabama: J. Lavaughn Johnson, Head and Professor, Agricultural Economics, Extension Economist, Auburn University.

Arkansas: Robert E. Coats, Jr., Extension Economist, Management and Policy, Cooperative Extension Service, University of Arkansas.

Florida: Rodney L. Clouser, Associate Professor and Extension Economist, University of Florida.

Mississippi: David Schweikardt, Assistant Professor, Agricultural Economics; Robert Martin, Extension Economist, Public Policy; Terry Baldridge, Research Associate, Mississippi State University.

Oklahoma: Larry Sanders, Extension Economist, Public Policy; Daryll Ray, Professor, Agricultural Economics, Oklahoma State University.

South Carolina: Harold M. Harris, Extension Agricultural Economist; Greg Arburn, Research Assistant, Clemson University.

Texas: Lawrence A. Lippke, Extension Economist, Management; Ronald D. Knutson, Extension Economist, Policy and Marketing; Edward G. Smith, Extension Economist, Marketing and Policy, Texas Agricultural Extension Service.

Northeast

New York: Bernard F. Stanton and Andrew Novakovic, Professors, Agricultural Economics, Cornell University.

U.S. Department of Agriculture: Harry Baumes, Economic Research Service.

U.S. Farmers' Preferences for

AGRICULTURAL AND FOOD POLICY IN THE 1990S

Harold D. Guither
University of Illinois
at Urbana-Champaign

Bob F. Jones
Purdue University

Marshall A. Martin
Purdue University

Robert G.F. Spitze
University of Illinois
at Urbana-Champaign

and contributing authors from
participating states

November 1989

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STATES PARTICIPATING IN THE SURVEY

- Alabama
- Arizona
- Arkansas
- Florida
- Idaho
- Illinois
- Indiana
- Iowa
- Kanasas
- Michigan
- Mississippi
- Missouri
- Nebraska
- New York
- North Dakota
- Oklahoma
- South Carolina
- South Dakota
- Texas
- Washington
- Wisconsin

INTRODUCTION

Providing for programs through the 1990 crop year, the Food Security Act of 1985 sets the stage for new agricultural and food legislation in 1990. Hearings by Congressional committees and public meetings are providing opportunities for leaders of farm, agribusiness, and consumer organizations to express their views on the form this legislation should take.

To learn more about the preferences of individual farmers, agricultural economists in all major agricultural states were offered the opportunity to participate in this nationwide policy-preference research project. In the spring of 1989, surveys using the same questions were conducted in 21 states representing all regions of the nation. This study was a cooperative effort carried out by many people who believe that preferences of representative groups of farmers contribute to the educational and policy-making process.

The results of the study are potentially valuable to many different groups. For example, policy educators can more fully carry out their responsibilities if they know how farmers view specific issues. Leaders of farm and commodity organizations can learn if their resolutions and policy positions align with the views of a scientifically drawn sample of farmers. Agribusiness leaders and citizen groups can see if their positions match with farmers' views on the major issues. Policy makers in Congress and the executive branch of the federal government can use the information to determine if a consensus exists on specific policy issues.

Policy research workers in the participating states cooperated in developing a uniform questionnaire so that they could accurately identify similarities and differences of opinion across state lines and among regions of the country. Questions selected for the survey centered on the major issues that agricultural and food policy makers will face in 1990: policies on price and income support, conservation and the environment, credit, trade, food assistance, and fiscal matters.

After the questionnaire was developed, agricultural economists in each participating state independently carried out its portion of the survey. In all states, samples were drawn by or with the assistance of the state agricultural statistics service to attain a representative sample of the state's farmers. Special measures were taken to protect the privacy of all respondents, by keeping their individual responses confidential to comply with federal law.

Responses from each state were combined and weighted according to the number of farms reported in the 1987 Census of Agriculture, to obtain regional and total composite responses. For the few cases in which a specific question was not asked in one or two states, the composite is based on the number of states in which the question was asked. Because all regions of the country are represented in the survey, the weighted responses should be reasonably representative of all U.S. farmers.

Response rates varied from state to state. Of course, variation in follow-up technique may have contributed to the variability: in some states, after mail responses were received, telephone interviews were conducted with samples of those who did not respond by mail, thus giving additional reliability to the responses received. Overall, this report includes the responses of 12,717 farmers from 21 states (map, page iv; Table 1).

Tables showing the weighted responses from all respondents, as well as individual state responses, follow the text. The questionnaire used in the survey is reproduced on pages 18 through 20.

The 21 states where the survey was conducted represented 59 percent of all 1987 cash receipts from U.S. farmers in and included 58 percent of all farms in the nation. These states marketed 70 percent of the meat animals, 53 percent of the dairy products, 70 percent of the food grains, 72 percent of the feed crops, 71 percent of the oilseed crops, and 60 percent of the cotton sold in the United States.

SUMMARY

In this survey of policy preferences, farmers in 21 states across the country were systematically selected to represent all U.S. farmers. The 12,717 individuals who responded express a wide range of preferences on agricultural and food policy that are important to the approaching 1990 legislation. Although the summary statements are based on an aggregation of data from all participating states, there may be important reasons to consider regional, production, and demographic differences in the results.

Policy direction.

Farmers' preferences are divided on the direction that commodity programs should take, but they generally agree on the instruments to carry them out. A majority favors some form of continuation of farm programs, while one-third favors gradual elimination. A few prefer mandatory supply control or decoupling as an overall policy for price and income support.

Target prices and loan rates.

A majority of farmers would like to keep target prices, with more favoring increased rather than current or reduced target prices. To set loan rates, farmers would prefer to use average market prices or to eliminate commodity loan programs.

Paid land diversion.

Although farmers are divided on continuing paid land diversion, about two-fifths would prefer continuing to give the Secretary of Agriculture an option to use it.

Marketing loans.

More farmers favor than oppose a marketing loan for wheat, feed grains, and soybeans. While the north central and southern states support the marketing loan, farmers in the West and Northeast disapprove.

Acreage bases.

Nearly a majority of the respondents favors a crop acreage base that would permit more flexibility to plant different crops than does the current, crop-specific acreage bases.

Payment-in-kind (PIK) certificates.

Farmers are split three ways on continuing the use of PIK certificates: yes, no, and not sure.

Farmer-owned reserve (FOR).

About twice as many farmers favor continuing the farmer-owned reserve as oppose continuation of it.

Future dairy support.

Preferences on future milk price policy are divided, but the most frequent choice among all respondents is to phase out the dairy support program. Milk producers are also divided, but their most frequent preference is to base support prices on the cost of production and to establish a quota for each producer.

Administrative discretion.

Although the Secretary of Agriculture has considerable discretion in implementing farm programs, more respondents would prefer to make no change than to give that cabinet officer more or less discretion.

Distribution of benefits.

A majority favors giving more benefits to farmers with annual gross sales under $250,000. However, respondents do not support using government programs to influence the number and size of farms.

Reducing farm program costs.

If budget pressures require reducing farm program expenditures, respondents prefer to continue payments to farmers with under $250,000 in annual gross sales and to reduce payments to larger farm operators, or to make across-the-board percentage cuts. Neither eliminating some programs nor basing payments on severe financial need is a popular choice.

Conservation programs.

Farmers strongly support the conservation compliance features of the 1985 Food Security Act. They also strongly support the 10-year Conservation Reserve Program but are divided on how much acreage should be included. To improve soil conservation and water quality, they prefer cost sharing for conservation and water structures and using government payments to modify cultural practices or remove land from commercial production. Respondents are concerned with water pollution and agree that government should regulate land uses to reduce it.

Crop insurance and disasters.

On other production issues, farmers are divided on a policy to deal with farm production risks from natural disasters. Their most frequent preferences are to keep the present crop-insurance program and to have limited disaster assistance in years of severe natural disturbances.

Payment limitation.

Farmers are divided on the question of payment limitation, but the most frequent preference is to make no change in the present $50,000 limit.

Credit for farmers with limited capital.

Farmers are about evenly divided in favor of and opposed to the government's lending money to farmers who cannot get credit from any other source.

Domestic food assistance.

Food assistance programs are more popular in the north central states and the Northeast than in the West and South.

Rural development.

Rural development to expand employment and economic activity in low income rural areas receives strong support from all farmers.

Trade.

Farmers support negotiation to reduce worldwide trade barriers; increased use of bilateral agreements; reduction of domestic farm subsidies in major importing and exporting countries; international agreements to control production and marketing; additional farmer-financed market development programs; and export enhancement and other export subsidies.

Foreign food assistance.

Respondents express no clear preference on proposals to provide more funds for food aid to hungry nations, for the United States to assist developing countries increase their agricultural productivity and trade potential, or for giving selected low income countries preferred entry to the U.S. agricultural market.

Federal spending.

Farmers support reducing the federal deficit by cutting every budget item by a set percentage, by reducing the defense budget, by reducing social programs, by reducing farm program expenditures, by collecting taxes due the federal government, and by increasing user fees for government services. Respondents oppose raising taxes or cutting social security payments to reduce the federal deficit.

FUTURE DIRECTIONS FOR COMMODITY PROGRAMS

Farmers were asked what the policy should be toward production controls and associated price supports after the 1985 Food Security Act expires in 1990. Although farmers across the country are divided in their preferences, over half (52 percent) prefer some type of price support program. Among all farmers responding, about one-third would like to keep the present programs. Slightly more than one-third would like to gradually eliminate commodity programs including set aside, price support, deficiency payments, and government storage. Eleven percent would prefer mandatory controls, and 8 percent want decoupling of payments from production requirements.

The strongest support for the present programs comes from the north central and southern states. The West and Northeast are least favorable for keeping the present programs. The most support for eliminating all programs comes from farmers in the western states.

The percent of respondents wanting to keep the present program varies from 19 to 41 percent in the different states. The percent preferring to gradually eliminate commodity programs varies from 22 to 52 percent (Table 2).

The farmers who most want to gradually eliminate the programs are those with annual gross cash receipts under $40,000 or over $500,000; with their major source of income from cattle or hogs; or with annual off-farm income over $40,000.

Establishing a mandatory supply control program, if approved in a farmer referendum, is not a popular choice. Among all respondents, only 11 percent choose this option; responses of individual states vary from 5 to 23 percent. Somewhat more support for mandatory controls comes from the Great Plains, the Southeast, and Wisconsin than from other states. In many of these states, production risks are high and crop choices are more limited. In the Southeast, more mandatory acreage programs, such as tobacco and peanuts, have been in use.

The concept of separating government payments from production requirements (sometimes called decoupling) is preferred by 8 percent of the respondents, with the lowest support from the Northeast. Individual state responses vary from 4 to 14 percent. Of the alternatives presented, this one is probably least understood, because it has not been generally used.

Target Prices

Target prices are established by law for certain crops. If the market price does not equal the target price over a specified number of months, qualifying farmers receive a deficiency payment to make up the difference. Farmers were asked what policy they prefer for target prices.

Target prices are a popular part of the current price and income support program. A majority would like to keep target prices. Only 28 percent want to phase them out. However, 38 percent want to raise them; 12 percent favor continuing at present rates; and 9 percent want to lower them. The strongest support to raise target prices comes from the north central states; the strongest support for phasing out comes from the western states. Compared to farmers in other regions, a higher proportion of southern farmers wants to continue them at present levels (Table 3).

The strongest support for raising target prices comes from major wheat-, corn-, and cotton-producing states and from farmers with annual gross cash receipts between $40,000 and $500,000. The strongest support for phasing out target prices comes from livestock and non-grain producers and those with annual off-farm incomes over $40,000.

Setting Loan Rates

The loan rate is established by law, with some final discretion by the Secretary of Agriculture. It determines the amount of money that the government will lend per unit of the commodity, enabling farmers to hold eligible products for later sale. Farmers were asked what policy they prefer for commodity loans.

Although farmers are divided on future loan rate policy, the most frequent preference is to base the loan rate on the previous five-year average market prices to keep prices competitive. This formula was established by the 1985 Food Security Act. However, while 36 percent of all respondents prefer using average market prices, 34 percent favor eliminating loan rates and commodity loans. Only 18 percent would like to see loan rates raised as a primary means to support prices.

The least support to raise loan rates comes from the West and Northeast, and the most support to eliminate commodity loans comes from the western states. Within the north central states, respondents show a wide range of preferences for using average market prices to set, raise, or eliminate loan rates (Table 4).

The strongest preference to base loan rates on the five-year average market price comes from grain producers and from mixed grain and livestock producers. In contrast, the strongest preference to gradually eliminate loan rates and commodity loans comes from livestock producers.

Based on annual gross sales from farming, the strongest preference to eliminate commodity loans is expressed by those respondents with sales under $40,000 or over $500,000. Those with annual off-farm incomes over $40,000 also strongly favor phasing out commodity loans.

Paid Land Diversion

Under the 1985 Food Security Act, the Secretary of Agriculture was given the discretion to control production through a paid land diversion program. Farmers were asked if the paid land diversion program should be continued.

Among all farmers, 41 percent would like to see paid diversion continue as an option available to the Secretary of Agriculture; 27 percent would not; and 32 percent are not sure or did not respond. Strongest support for paid diversion comes from the north central and southern states. Farmers in the western states are least supportive of paid diversion (Table 5).

Paid diversion is favored by a majority of farmers in the Dakotas, Illinois, Iowa, Oklahoma, and South Carolina. Grain farmers strongly support paid diversion, while livestock farmers show more opposition than support. Support is more positive among farmers with over $40,000 in annual gross sales than with those under $40,000.

Marketing Loans

The marketing loan program enables a producer who has a government commodity loan to repay the loan at the market price for that commodity, even if that price is below the loan rate. The 1985 Food Security Act authorized the marketing loan for rice and cotton. The Secretary was also given discretionary authority to use it for wheat, feed grains, and soybeans but has not done so through 1989. Farmers were asked if the marketing loan should be extended to include wheat, feed grains, and soybeans.

Farmers are divided on this question. Among all farmers, 36 percent support marketing loans for wheat, feed grains, and soybeans; 30 percent oppose; and 34 percent are not sure or did not reply (Table 6). Farmers in the north central and southern states are most supportive of the marketing loan, while farmers in the West are least supportive. The highest proportion of "not sure" and "no reply" responses also comes from the western states (Table 6).

All types of farmers except major livestock producers support the marketing loan for wheat, feed grains, and soybeans. More farmers with all sizes of operations support marketing loans than oppose them. However, more farmers with over $40,000 annual income from off-farm employment oppose than support marketing loans.

The high proportion of farmers who are not sure about marketing loans or gave no response suggests that many of them do not understand this concept.

Acreage Bases

Under the 1985 Act, each farmer growing a program crop has a specific base acreage for that crop based on production history. On many farms, other crops are grown that do not qualify for program payments. Because the type of farm acreage bases is expected to be a major issue in the 1990 farm bill debate, farmers were asked if they would prefer the current policy or a total crop acreage base that would permit more flexibility in what they plant on their farms.

The 1988 Disaster Assistance Act permitted farmers to plant soybeans or sunflowers on as much as 25 percent of their program crop base and still maintain their historic program crop base in future years.

Among all farmers responding, 47 percent favor a total crop acreage base; 31 percent favor a crop-specific base; and the remainder wants other arrangements or did not respond. Although more farmers in each region favor total crop bases over crop-specific bases, the strongest support comes from the north central and southern states. In only six states does a majority favor the total crop acreage base (Table 7).

However, strong support for the total crop acreage base comes from farmers with all types of operations, from those in all sales classes, and from those with all levels of off-farm income.

Payment-in-Kind (PIK) Certificates

After passage of the 1985 Act, the U.S. Department of Agriculture began to issue generic, negotiable marketing certificates for payment of certain farm program benefits. These payment-in-kind (PIK) certificates provided a means for farmers to move grain or cotton under loan before the loan matured and a means for the government to move its stocks into marketing channels although the market price was below the authorized price for the government to sell its stocks. Because the certificates are negotiable, they also have cash value and are bought and sold by farmers and commodity marketing firms.

Farmers were asked if the use of generic payment-in-kind certificates should continue as part of the price and income support programs as long as government-controlled stocks exist.

Farmers are definitely divided on this issue. Among all respondents, 37 percent say yes; 32 percent, no; and 31 percent are not sure or did not respond. In the north central states, slightly more oppose than favor PIK certificates. Strongest support comes from the southern states. In 14 states, mostly in the South, north central states, and the Northeast, more farmers favor than oppose continuing use of the PIK certificates. Substantial numbers in most states also are unsure about their use. A majority of farmers in North and South Dakota opposes continuing use, probably reflecting what may be considered unfavorable results with use of the certificates (Table 8).

When farmers responding are divided by major source of farm income and volume of sales, more respondents with over $100,000 in annual gross sales and those with grain as their major source of income favor use of PIK certificates than do other respondents.

Farmer-Owned Reserve (FOR)

The farmer-owned reserve (FOR) was established in the Food and Agriculture Act of 1977 and continued with certain limits in the 1981 and 1985 acts. Farmers were asked if some form of farmer-owned grain reserve should be continued.

Among all respondents, 45 percent favor continuing the farmer-owned reserve with national minimum and maximum amounts to be stored; 22 percent oppose; and 33 percent are not sure or did not respond. In each region and in each state, more favor than oppose continuing the farmer-owned reserve. A majority of farmers in Iowa, Nebraska, North and South Dakota, Arkansas, Florida, and South Carolina favor the FOR. The lowest level of support comes from the western states (Table 9).

All types of farmers, all sales groups, and all amounts of off-farm employment income support the farmer-owned reserve.

Future Dairy Policy

Although the dairy price support program was permanently authorized by the Agricultural Act of 1949, it currently operates under amendments in the Food Security Act of 1985. Milk prices are supported through government purchases of manufactured dairy products at specified prices. Farmers were asked their preference for a future price support program for milk producers.

Among all farmers, responses are divided on what the future dairy program should be. The total responses show that 28 percent favor phasing out all dairy price supports over a period of several years. Although 31 percent favor some type of support program, 16 percent favor the present program with adjustments of the support price up or down based on production and projected government purchases; and 15 percent want to shift to a support based on average production costs and to establish a production quota for each producer. Only 4 percent want to let the Secretary of Agriculture have more authority in setting the support price, and 37 percent either are not sure or did not reply (Table 10).

Although the composite response shows a slight preference for some type of program, the most frequent response in each region is to phase out the program.

When responses of only dairy farmers are analyzed, much more support for a price support program is evident. Among all dairy farmers, 41 percent prefer to have support prices based on average costs of production and a production quota established for each producer; 23 percent want to phase out the program over several years; 19 percent want to keep the present program; 14 percent are not sure; and 2 percent would let the Secretary of Agriculture decide the program.

In Wisconsin, 33 percent favor a cost-of-production support with a production quota; 25 percent favor phasing out the program; 14 percent favor the present program; and 2 percent would let the Secretary of Agriculture set the support.

Only in Michigan, Wisconsin, Washington, and Arkansas do more farmers favor a price support based on cost of production and a quota system instead of the present program (Table 10).

Discretion for the Secretary of Agriculture

In all major farm legislation, the Secretary of Agriculture has been authorized to make certain decisions to administer the price and income support programs. Respondents were asked how much discretion the Secretary of Agri-culture should have (compared to the present) in setting loan rates, set-aside acreage, and export subsidies.

Farmers are divided on this question. Among all farmers, 40 percent would make no changes; 33 percent would give less discretion; 15 percent would give more; and 12 percent did not respond. Making no change in the amount of discretionary decisions is also the most frequent response in the north central, western, and southern states. But in New York, giving less discretion is the most frequent response. Only in Florida does a majority of respondents want to give the Secretary more decision-making discretion (Table 11).

Making no change in the Secretary's discretionary authority is the most frequent response among farmers with all different sources of income and amounts of income from off-farm employment. Farmers in all sales classes favor keeping discretion the same, except slightly more of those with $250,000 to $500,000 in annual gross sales favor less discretion.

More Support for Smaller Farms

A major issue in debates on previous farm bills has been whether or not a higher proportion of benefits should go to smaller farms. In this survey, farmers were asked to agree or disagree with the statement that future programs should be changed to give more program benefits to farms with annual gross sales under $250,000.

Among all respondents, a majority agrees that operators of smaller farms should receive more benefits. Although less than a majority of farmers in the West agrees, the proportion agreeing is more than those who disagree (Table 12). Farmers with all types of enterprises and all levels of off-farm income favor more support for smaller farms. However, when responses are divided by value of annual sales, a majority of farmers with annual gross sales over $250,000 disagrees with giving more benefits to smaller operators.

Influencing the Size and Number of Farms

Whether or not farm programs influence the trend toward larger and fewer farms has become a policy issue. Respondents were asked if they agree that future farm programs should be used to influence the number and size of farms, with allowance for type of farm and geographic conditions.

Farmers are divided on this issue, but 38 percent oppose while only 29 percent support the concept that government programs should influence the number and size of farms (Table 13). Each region shows more disagreement than agreement on this issue. Only in North Dakota, Alabama, Arkansas, and Mississippi do more farmers agree that government programs should influence the number and size of farms.

The greatest differences in responses to this question come from farmers with operations of different sizes. In all classes of annual gross sales over $40,000, more farmers disagree than agree that government should influence farm size and numbers. A majority of those over $250,000 disagrees, probably because larger operators suspect that any efforts to influence size would be to reduce or limit the size or number of larger farms.

The "not sure" responses on this question range from 17 to 29 percent in the different states, a higher percentage than for many of the questions.

Cutting Farm Program Costs

Respondents were asked how farm commodity program costs should be cut if necessary to reduce federal spending. Respondents are divided on what should be done.

Among all respondents, 35 percent want to continue payments to operators of small- to moderate-size farms with annual gross sales under $250,000 and to reduce payments to operators of large farms. However, 28 percent want to make across-the-board percentage cuts. Neither making payments only on basis of financial need nor cutting some programs more than others is a popular choice (Table 14).

Larger farm operators with annual gross sales over $250,000 more frequently prefer to make across-the-board cuts. Farm operators in the southern states are about equally divided between percentage cuts and reductions of payments to larger farms. Making payments to farmers with the most severe financial need is favored more frequently in Missouri and some southern states than in other regions of the country.

CONSERVATION PROGRAMS

Required Conservation Plans for Program Benefits

The conservation title of the 1985 Food Security Act included a requirement that farmers with highly erodible land have approved conservation plans developed by January 1, 1990, and implemented by January 1, 1995, to maintain eligibility for farm program benefits. Respondents were asked if soil conservation and water quality compliance should be a condition for receiving farm program benefits.

Among all respondents, 60 percent favor this provision. A majority in all regions and all types and sizes of farms supports this program. Although some differences are noted from state to state, the responses indicate strong support for this provision of the 1985 Act (Table 15).

Conservation Reserve Program (CRP)

The Conservation Reserve Program (CRP) in the 1985 Act authorized up to 45 million acres of the most erodible cropland to be taken out of production for 10 years and planted to trees or seeded to soil-conserving crops. Rental payments are made annually and determined on a bid basis. By early 1989, 30 million acres had been signed up for this program. Respondents were asked what future policy they prefer.

Farmers definitely support the CRP. Among all respondents, only 26 percent want to eliminate the program, while 23 percent would keep the CRP acreage at 30 million, 23 percent would expand it to 45 million, and 14 percent want to expand it even further, to 60 million. Support for the program is somewhat lower in the West than in other regions (Table 16).

Respondents in the north central states and the West are more supportive of expanding to 45 million acres; while in the South and Northeast, more favor keeping acreage around 30 million. Farmers with larger sales volume are more supportive of larger CRP acreage. Livestock farmers more frequently favor eliminating the program or keeping acreage around 30 million.

Preferred Ways to Improve Soil Conservation and Water Quality

Soil conservation and water quality continue to be major policy issues. Respondents were asked to check all the methods listed that they believe would be most effective in achieving improvements in soil conservation and water quality: (1) regulation of farming practices; (2) taxing certain practices, such as high levels of chemical and fertilizer use; (3) cost sharing only for conservation and water structures and (4) government payments to modify cultural practices or to remove land from commercial production.

Among all respondents, 45 percent select cost sharing for soil and water conservation structures; 25 percent select government payments to modify cultural practices or to remove land from production. Regulating farm practices and taxing certain practices are each selected by 16 percent of respondents. In each region, the ranking of these practices is about the same (Table 17).

Regulating Land Use to Reduce Water Pollution

Respondents were asked if they agree with a statement that government should regulate land uses to reduce water pollution. Among all respondents, 61 percent agree; 18 percent disagree; and 21 percent are not sure or did not respond. Although more agree than disagree, support for regulating land uses to reduce water pollution is lower in the western states and the Northeast than in other regions of the country (Table 18).

OTHER ISSUES

Crop Insurance

A comprehensive, subsidized, all-risk crop insurance program was enacted in September 1980. Participating producers pay a portion of the cost and the federal government pays part. The 1988 and 1989 drought conditions in many parts of the country have made crop insurance policy a major issue. Farmers were asked what our national policy should be to deal with farm production risks from natural disasters.

Responses show a wide division. Among all farmers, 33 percent want to keep the present program; 21 percent prefer that the government provide limited disaster assistance in years of severe natural disturbances, but without federal crop insurance; 13 percent prefer that farmers be required to buy crop insurance to be eligible for government program benefits; and 11 percent favor eliminating all disaster payments. The remainder had other responses or did not respond. Only in North Dakota does a majority favor keeping the present program.

Farmers in the north central states, the West, and the South have about the same preferences. In the Northeast, more farmers favor disaster payments, and fewer want to eliminate all programs or have mandatory insurance (Table 19).

Responses from farmers with different types of farms, volumes of sales, and amounts of off-farm income are about the same.

Payment Limitation

Under the 1985 Act, there is a $50,000 limit on direct price support payments to each farmer — with certain exceptions. Respondents were asked to recommend a future policy.

Among all respondents, 39 percent prefer to make no change; 27 percent want to decrease the limit; 11 percent want to eliminate the limit; 7 percent want to increase it; and 11 percent did not reply. Compared to other regions, more farmers in the north central states prefer to make no change. Fewer farmers in the West want to decrease the limit, and more want to increase or eliminate it than do farmers in other regions (Table 20).

Although more farmers in all sizes and types of operations and with all amounts of off-farm income prefer to make no change, some differences are noted. More farmers with annual gross sales over $250,000 prefer to eliminate the limit than do farmers with lower sales volumes. Farmers with annual off-farm incomes over $10,000 show more preference to decrease the payment limit. Preferences are about the same for all types of farms.

Credit to Farmers with Limited Capital

The Farmers Home Administration, an agency within the Department of Agriculture, makes direct loans to farmers who cannot get credit from other sources. It has faced serious problems with delinquent loans during the 1980s. Respondents were asked if the government should continue to loan money to farmers with limited capital who cannot get credit from other sources.

Farmers are definitely divided on this question. Among all respondents, 37 percent say yes; 35 percent, no; and 28 percent are not sure or did not reply. Strongest support for borrowers with limited capital is in the South and least in the north central states. In Indiana, Michigan, Missouri, Wisconsin, and Arizona, more respondents oppose lending to these farmers than favor it (Table 21).

Farmers with annual gross sales under $40,000 are more supportive of limited-capital borrowers than are larger operators. Respondents with operations over $500,000 in annual gross sales are more strongly opposed to these borrowers than are those with lower sales volumes.

Food Assistance Programs

The domestic food assistance programs are designed to feed hungry people and also to stimulate greater consumption of plentiful food products. Although food stamps were first used in the 1930s, the Food Stamp Act of 1964 established food stamps as part of our food assistance program after World War II. Food stamps and food assistance amendments were incorporated into the Agriculture and Consumer Protection Act of 1973 and in major farm bills in 1977, 1981, and 1985.

In recent years, the emphasis has gradually shifted toward improving the nutritional well-being of low-income families, school children, and at-risk pregnant mothers and infants. Respondents were asked if they agree that the money for food assistance programs used for food stamps, school lunches, and other targeted programs should be increased to meet more adequately the needs of those eligible.

Farmers are sharply divided on this question. Among all respondents, 41 percent agree that food assistance programs should be increased; 36 percent disagree; and 23 percent are not sure or did not respond. Respondents in the north central and northeastern states are more supportive of food assistance than those in the West and South (Table 22). Only in Indiana, North Dakota, and Wisconsin does a majority agree that assistance should be increased.

Among farmers with annual gross sales under $500,000, more agree than disagree that food programs should be increased. However, those with over $500,000 disagree more frequently than agree on this question. Although more grain and livestock farmers agree to increase food programs, farmers with other major sources of income and those with over $40,000 in annual income from off-farm employment disagree more frequently than agree.

Rural Development

Economic development in rural areas has been widely discussed as rural communities undergo change. Respondents were asked if they agree with a statement that the federal government should increase funding for rural development programs to expand employment and economic activity in low-income rural areas.

Farmers strongly favor increased spending for rural development. Among all respondents, 58 percent agree; 18 percent disagree; and 24 percent are not sure or did not reply. Fewer farmers in the western states and the Northeast agree with expanding rural development, although more favor than oppose the proposal (Table 23).

More farmers on all types of farms, in all sales classes, and with different amounts of off-farm employment income support rural development. However, support is lower among those with annual gross sales over $500,000.

AGRICULTURAL TRADE AND DEVELOPMENT

From 20 to 30 percent of the value of U.S. agricultural production moves into foreign markets every year. More than half of the soybeans, wheat, rice, dried prunes, cotton, and almonds produced in 1987 were exported. The policies affecting trade and development in other countries of the world become significant for U.S. farmers. Farmers were asked a series of questions relating to trade and development policies.

Q. Should the United States negotiate worldwide reductions in trade barriers?

Among all farmers, 71 percent agree that we should negotiate worldwide reductions in trade barriers. Farmers in all regions and with all types and sizes of farms agree. Farmers with annual gross sales over $40,000 are more supportive of reducing trade barriers than are those with smaller operations (Table 24).

Q. Should the United States rely more on bilateral trade agreements?

Among all farmers, 59 percent agree that we should rely more on separate trade agreements with individual countries. Responses in each region and on all types and sizes of farms are similar. The percentage of "not sure" and "no reply" responses is higher on this question than the percentage who disagree (Table 25).

Q. Should the United States negotiate reductions in domestic farm subsidies of major importing and exporting countries worldwide?

This question seemed especially timely because the Geneva Agreement on Tariffs and Trade (GATT) negotiations were taking place in Geneva at the time of the survey. Among all respondents, 53 percent agree; 27 percent are not sure; 10 percent disagree; and 10 percent did not respond. Although more Wisconsin, Alabama and New York farmers favor than oppose reduced subsidies, the proportion of "not sure" and "no reply" responses brings the positive responses below 50 percent. A majority of farmers in all sales classes, with all types of farms and all classes of off-farm employment income, favors subsidy reductions (Table 26).

Q. Should the United States join with other major exporting countries to establish production and marketing controls?

International marketing agreements have been discussed for many years, with some farm groups favoring them. Among all respondents, 45 percent agree that the United States should establish such controls; 24 percent disagree; and 31 percent are not sure or did not respond. With one exception, more farmers in each state favor than oppose international production and marketing agreements: in Illinois, the numbers agreeing and disagreeing are equal.

Among farmers with annual gross sales over $250,000, a majority opposes international production and marketing agreements. Less than a majority of grain and mixed grain and livestock farmers supports them, although more agree than disagree.

Responses to this question seem inconsistent with other responses favoring more free trade with fewer restrictions. The high percent of "not sure" and "no reply" responses suggests that many respondents are not familiar with what would be involved in international production and marketing agreements (Table 27).

Q. Should the United States provide more funds for food aid to hungry nations?

Farmers are divided on this question. Among all respondents, 40 percent agree that the United States should provide more funds for food aid to hungry nations; 32 percent disagree; and 30 percent are not sure or did not reply. More farmers agree than disagree in the north central states, the West, and the Northeast. In the South, however, preferences are evenly divided. Only in Iowa, Arkansas, Mississippi, and Texas does a majority favor increased funds. The high percentage of "not sure" and "no reply" responses suggests farmers have some uncertainty about providing more funds (Table 28).

Farmers with annual gross sales over $40,000 are definitely more supportive of food aid than those with farm sales under $40,000. Major grain producers favor food aid more than other types of farmers.

Q. Should the United States encourage additional farmer-financed foreign market development programs?

Farm commodity groups in some states have established voluntary programs in which producers of that commodity agree to a small assessment at the time they sell their product. The funds are used to promote demand for that product in this country and overseas. The 1985 Food Security Act included national "check-off" programs for pork and beef if approved by farmers in a nationwide referendum. Producers subsequently approved these programs. Corn, wheat, and soybean check-off programs also operate in many states.

Farmers favor more farmer-financed market development programs. In the survey, 46 percent agree that the United States should encourage more farmer-financed market development programs; 23 percent disagree; and 31 percent are not sure or did not respond. About one-third of all respondents are not sure or did not respond to this question. Stronger support for these programs comes from the north central, western, and southern states than from the Northeast (Table 29).

A majority of farmers with annual gross sales over $40,000 support farmer-financed development programs. Grain farmers are somewhat more supportive of these programs than are livestock farmers.

Q. Should the United States continue the Export Enhancement Program and other government export subsidies?

The Export Enhancement Program was authorized in the 1985 Food Security Act to counter subsidized exports from the European Community that were believed to be taking away U.S. markets. Other export subsidy programs were already in effect.

Among all respondents, 48 percent agree that the Export Enhancement Program and other export subsidies should continue; 12 percent disagree; and 40 percent are not sure or did not respond. Farmers in all regions support export enhancement. However, the unusually high percent of "not sure" and "no reply" responses in all regions suggests that many farmers are not familiar with or do not understand export enhancement or other export subsidies (Table 30).

Export subsidy programs are most strongly favored by farmers with annual gross sales over $40,000 and by grain or mixed grain and livestock farmers.

Q. Should the United States reduce our agricultural import barriers to encourage more trade?

Because we support certain commodities above world market prices, we have import quotas or restrictions on certain commodities such as peanuts, dairy products, and sugar. Reducing import barriers could bring increased competition to these commodities.

Farmers are definitely divided on whether or not to reduce barriers to imports of agricultural products. Among all respondents, 36 percent agree that the United States should reduce our agricultural import barriers to encourage more trade; 32 percent disagree; and 32 percent were not sure or did not respond. In the north central states, the West, and the South, more farmers as a group support import barrier reduction than oppose it. However, in 10 states—Kansas, Michigan, Nebraska, North Dakota, South Dakota, Wisconsin, Idaho, Washington, Oklahoma, and New York—more farmers oppose than support reducing import barriers (Table 31).

More farmers with annual gross sales over $100,000 oppose than support import barrier reductions. Grain farmers are more in favor of import barrier reductions than are livestock farmers. These responses suggest some concerns among certain groups of farmers about increased competition and possibly lower prices that could result from lowering of import barriers.

Q. Should the United States assist developing countries increase their agricultural productivity and trade potential?

In many developing countries, U.S. technical assistance has been aimed at helping improve the food-producing capacity of these countries as a way to facilitate general economic development. Farmers are definitely divided on this issue. Among all respondents, 34 percent favor assistance to improve agricultural productivity; 35 percent oppose; and 31 percent are not sure or did not respond. Farmers in the Northeast are more supportive of agricultural assistance than are farmers in the other regions (Table 32).

More farmers with annual gross sales over $40,000 oppose agriculture assistance than favor it. However, more grain, livestock, and mixed grain and livestock farmers oppose agricultural aid than support it. More farmers with off-farm employment incomes over $40,000 favor than oppose such assistance.

The responses to this question suggest that farmers believe that helping other countries improve their agricultural productivity helps build competition for their products in overseas markets. Apparently they do not recognize that increased agricultural productivity contributes to general economic development, a necessary condition for long-term market development.

Q. Should the United States give selected low income countries preferred entry to our agricultural market?

Potential growth for U.S. agricultural exports is in the developing countries. One way to further increase this trade may be to buy more of the agricultural products from these countries.

Farmers are divided on whether or not we should give preferred entry to agricultural products from certain countries. Among all respondents, 31 percent believe that we should give preferred entry; 32 percent disagree; and 37 percent are not sure or did not respond. Only in the north central states do slightly more farmers agree than disagree that preferred treatment should be given. In the West, South, and Northeast, more farmers disagree. No state had a majority opinion on either side of the question (Table 33).

Farmers with annual gross sales over $40,000 are more supportive of giving preferred entry than are those with lower gross sales. Grain farmers are more supportive than livestock producers. Only farmers with less than $10,000 annual off-farm employment income are supportive of preferred treatment for low income countries.

These responses suggest that many farmers are apprehensive of giving special treatment to countries that might produce products competitive to their own.

FEDERAL SPENDING

Monetary and fiscal policies can affect the financial conditions of farmers and their competitive position in world markets because these policies influence interest rates, farm costs, and demand for agricultural products. Reducing the federal deficit has been one of the major policy issues in recent years. Respondents were asked to agree or disagree with a series of statements on how to reduce the federal deficit.

Reducing every budget item by a set percentage.

Among all respondents, 53 percent agree that every budget item should be reduced by a set percentage; 20 percent disagree; and 27 percent are not sure or did not reply. A majority of farmers in each region has similar views (Table 34). Farmers with different types and sizes of farming operations all have similar preferences.

Reducing the defense budget.

Among all respondents, 53 percent agree that the federal deficit should be cut by reducing defense expenditures; 24 percent disagreed; and 23 percent are not sure or did not reply. Farmers in the South support defense cuts, but by a smaller percentage (Table 35). A majority of all farmers with different types and sizes of farming operations has similar preferences.

Reducing social programs (excluding social security).

Among all farmers, 50 percent agree that the federal deficit should be reduced by reducing social programs, excluding social security; 25 percent disagree; and 25 percent are not sure or did not respond. Farmers in all states agree more frequently than they disagree (Table 36). A majority of farmers with different types of farms and sizes of operations agrees. More than 60 percent of farmers with annual gross sales above $100,000 want to reduce social programs.

Reducing social security payments.

Farmers do not want to see reductions in social security payments. Among all respondents, 71 percent oppose reductions; only 9 percent favor cuts; and 20 percent are not sure or did not reply. This question produced the largest percentage of strong disagreement of any question in the survey (Table 37). Farmers with all sizes and types of farms and all amounts of off-farm income agree that social security payments should not be cut.

Reducing farm program expenditures.

Farmers are divided on reducing farm program expenditures to reduce the federal deficit. Among all respondents, 41 percent agree; 33 disagree; and 26 percent are not sure or did not reply. In the West, a majority agrees that expenditures should be reduced (Table 38). More farm operators with annual gross sales over $250,000 oppose than favor cuts. More grain farmers oppose cuts than support them; but a majority of livestock farmers supports reductions in expenditures. More farmers with a higher amount of off-farm employment income favor farm program cuts.

Raising taxes.

In all states, farmers strongly oppose raising taxes to reduce the federal deficit. Among all respondents, 64 disagree that taxes should be raised; 14 percent agree; and 22 percent are not sure or did not reply. Responses seem uniformly similar in all regions (Table 39). A substantial majority of all types and sizes of farmers opposes increasing taxes.

Increasing collections of taxes due.

More than two of every three farmers strongly agree that the federal deficit should be reduced by increasing collection of taxes due the federal government. Among all respondents, 67 percent agree; 12 percent disagree; and 21 percent are not sure or did not reply. Responses are similar from all regions and from all types and sizes of farms (Table 40).

Increasing user fees for government services.

In all states, more farmers agree than disagree that user fees for government services should be increased. Among all respondents, 43 percent agree; 22 percent disagree; and 35 percent are not sure or did not reply. In the western states, however, preferences for increasing user fees are somewhat less, perhaps because respondents fear that they might be the ones paying the increased fees (Table 41). Fewer farmers with annual gross sales under $40,000 favor increasing user fees than do those with over $40,000. Farmers with different types of farms respond about the same to this question.

PROFILE OF SURVEY RESPONDENTS

To provide insight about the respondents, the questionnaire included a number of questions about the farmers, their farm operations, and their participation in farm programs and farm organizations during 1988.

Voluntary participation in 1988 farm programs.

Among all respondents, 30 percent participated in the 1988 wheat program, 39 percent in the feed grain program, 5 percent in the cotton program, 1 percent in the rice program, 12 percent in the Conservation Reserve, 30 percent in the disaster program, and 5 percent in other programs (Table 42).

The percentage of farmers who voluntarily participated in the wheat acreage-reduction program varied widely, depending upon the significance of wheat production in the state. In the major wheat states of Kansas, North Dakota, and Oklahoma, participation ranged from 73 to 88 percent.

Participation in the feed grain program in the north central states averaged 57 percent, with a range from 47 to 87 percent.

Participation in the cotton program ranged from 14 to 35 percent in cotton-growing states. In Arkansas, 15 percent participated in the rice program.

Participation in the Conservation Reserve was reported in all states, with the highest percentage in North Dakota, Kansas, Iowa, and South Carolina.

Participation in the 1988 Drought Disaster Program varied from 1 percent in Arizona to 82 percent in North Dakota. Because the north central states were the hardest hit by the 1988 drought, the highest participation would be expected in these states (Table 42).

Age.

Farmers in all age groups participated in the survey. Among all respondents, 65 percent were between 35 and 65 years of age; 9 percent were under 35; 24 percent were 65 and over; and 2 percent did not give their age. The percentage of respondents 65 and over was higher in the South than other regions (Table 43).

Last year of school completed.

All levels of formal education were represented, from grade school through college graduation. Among all respondents, 43 percent had formal education beyond high school; 35 percent were graduated from high school; 18 per cent attended grade school or some high school; and 3 percent did not reply. The highest percent of respondents who had received formal education beyond high school was in the West and South (Table 44).

Annual gross sales.

Respondents operated farms in all sales classes—from under $40,000, to $500,0000 and over. Among all respondents, 47 percent reported annual gross sales under $40,000; 23 percent reported $40,000 to $99,999; 24 percent, between $100,000 and $500,000; 2 percent, over $500,000; and 4 percent did not reply. A higher percentage of farmers in the South reported sales under $40,000. A higher proportion of farmers in the West reported sales over $100,000 (Table 45).

Income from off-farm employment.

Off-farm employment is an important source of family income for many farm families. Among all respondents, 25 percent reported under $10,000 in income from off-farm employment; 14 percent reported $10,000 to $19,999; 17 percent reported between $20,000 and $40,000; 9 percent reported over $40,000; and 35 percent did not report any off-farm income.

For the 35 percent that did not report any off-farm income, we do not know if they had none or simply did not report it, making it difficult to analyze the effects of off-farm income on policy preferences.

A higher percentage of respondents in the South reported off-farm employment income over $20,000 than did those in other regions. In 14 states, at least 20 percent of the respondents reported off-farm employment income over $20,000 (Table 46).

Most important source of 1988 farm income.

Grain, livestock, and dairy production were the most important sources of farm income reported. Among all survey respondents, 30 percent reported hogs, beef, or sheep as their most important source of income; 26 percent, grain; 9 percent, dairy; 13 percent, mixed grain and livestock; 16 percent, other; and 6 percent did not reply. The states in which grain comprised the most significant source of income for respondents were Illinois, Indiana, Kansas, Michigan, Nebraska, North Dakota, Michigan, and South Dakota.

States with highest proportion of livestock operations were Alabama, Arkansas, Florida, Mississippi, Missouri, Texas, and South Dakota. Wisconsin and South Carolina had the highest proportion of dairy farms (Table 47).

Membership in farm and commodity organizations.

More respondents reported membership in the Farm Bureau than any other organization. Farmers Union membership was most frequently reported in North Dakota, South Dakota, Oklahoma, Wisconsin, and Kansas. Washington reported the highest proportion of Grange members.

Membership in commodity organizations varied according to the importance of individual commodities in each state. Commodities represented in organizations with the highest membership were cattle, pork, soybeans, wheat, corn, milk, and cotton (Table 48).

1989 GOVERNMENT AND AGRICULTURAL POLICY PREFERENCE SURVEY

SECTION A - FARM COMMODITY PROGRAMS

1. What should be the policy toward production controls and associated price supports after the 1985 Food Security Act expires in 1990? (Check one)
   - a. Keep the present programs ☐
   - b. Establish a mandatory supply control program with all farmers required to participate if approved in a farmer referendum ☐
   - c. Separate government payments from production requirements. (Sometimes this is called decoupling.) ☐
   - d. Gradually eliminate commodity programs including set aside, price support, deficiency payments and government storage programs ☐
   - e. Other ____________

2. What should be the policy toward target prices? (Check one)
   - a. Keep target prices at the current levels. ☐
   - b. Raise target prices each year to match the rate of inflation ☐
   - c. Lower target prices 2 to 4 percent each year to reduce federal deficiency payments and federal expenditures and to discourage over-production ☐
   - d. Phase out target prices completely over a 5 to 10 year period ☐
   - e. Other ____________

3. What should be our commodity loan rate policy? (check one)
   - a. Base loan rate on the previous 5 year average market prices to keep prices competitive ☐
   - b. Raise loan rates as a primary means to support prices ☐
   - c. Eliminate loan rates and commodity loans completely. ☐

4. Should an annual paid land diversion program to control production be continued as an option available to the Secretary of Agriculture?

   YES ☐ NO ☐ NOT SURE ☐

5. Should the marketing loan be extended to include wheat, feed grains and soybeans?

   YES ☐ NO ☐ NOT SURE ☐

6. What type of acreage bases would you favor? (check one)
   - a. Continue the current policy of specific crop acreage bases ☐
   - b. Assign each farm a total crop acreage base, excluding hay and pasture, and allow any crop to be grown on the permitted acreage ☐
   - c. Other ____________

7. Should generic (payment-in-kind) certificates continue to be part of price and income support programs as long as government-controlled stocks exist?

   YES ☐ NO ☐ NOT SURE ☐

8. Should some form of farmer-owned grain reserve (FOR), with national minimum and maximum amounts to be stored, be continued?

   YES ☐ NO ☐ NOT SURE ☐

9. For a new farm bill, how much discretion should the Secretary of Agriculture have, compared to the present, in setting loan rates, set aside acreage and export subsidies?

   MORE ☐ LESS ☐ NO CHANGE ☐

SECTION B - CONSERVATION PROGRAMS

1. To be eligible for farm program benefits, the 1985 farm bill requires the development of conservation plans for farms with highly erodible land by 1990 and implementation by 1995. Should soil conservation and water quality compliance be a condition for receiving farm program benefits?

   YES ☐ NO ☐ NOT SURE ☐

2. The 1985 Food Security Act authorized up to 45 million acres for the Conservation Reserve Program (CRP) which makes rental payments on a bid basis to farmers for long term land retirement. What should be the future policy? (check one)
   - a. Limit the CRP to the current level of about 30 million acres ☐
   - b. Expand the CRP to 45 million acres as provided in the 1985 act ☐
   - c. Further expand the CRP to around 60 million acres ☐
   - d. Eliminate the CRP program ☐
   - e. Other ____________

3. Which of the following approaches do you think would be most effective in achieving improvements in soil conservation and water quality? (check any that you feel appropriate)
   - a. Regulation of farming practices ☐
   - b. Taxing certain practices such as "high" levels of chemical and fertilizer use ☐
   - c. Cost sharing only for conservation and water structures ☐
   - d. Government payments to modify cultural practices or to remove land from commercial production ☐

SECTION C - CROP INSURANCE

1. What should be our national policy to deal with farm production risks from natural disasters? (check one)
   - a. Continue the present voluntary crop insurance program where producers pay about 70 percent and government pays about 30 percent of the cost ☐
   - b. Have government provide limited disaster assistance in years of severe natural disturbances but have no federal crop insurance ☐
   - c. Eliminate all disaster payments and federal crop insurance programs ☐
   - d. Require all farmers to buy crop insurance to be eligible for government program benefits ☐
   - e. Not sure ☐
   - f. Other ____________

SECTION D - OTHER ISSUES

1. There is now a $50,000 limit on direct price support payments to each farmer with certain exceptions. What recommendations would you make for the future? (check one)
   - a. Increase the limit .... ☐
   - b. Make no change .... ☐
   - c. Decrease the limit .... ☐
   - d. Eliminate the limit completely .... ☐
   - e. Other ____________________

2. What should be the future price support program for milk producers? (check one whether you have milk cows or not)
   - a. Continue the present program adjusting the support price up or down based on production and projected government purchases .... ☐
   - b. Set support prices based on average production costs and establish a production quota for each producer .... ☐
   - c. Phase out all dairy price supports over a period of several years .... ☐
   - d. Give the Secretary of Agriculture more authority to set the price support. .... ☐
   - e. Not sure .... ☐

3. Should the government continue to loan money to farmers with limited capital who cannot get credit from other sources?

YES ☐ NO ☐ NOT SURE ☐

Check your views on each question:

	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
4. Future farm programs should be changed to give a higher proportion of price and income support benefits to farms with gross annual sales under $250,000	☐	☐	☐	☐	☐
5. Government commodity programs should be used to influence the number and size of farms with allowance made for type of farm and geographic conditions	☐	☐	☐	☐	☐
6. Government should regulate certain farming practices and land uses to reduce pollution of underground and stream water	☐	☐	☐	☐	☐
7. The $19 billion spent in 1987 to provide food assistance programs through food stamps, school lunches, and other targeted food assistance programs should be increased to more adequately meet the needs of those eligible	☐	☐	☐	☐	☐
8. The federal government should increase funding for rural development programs to expand employment and economic activity in low income rural areas	☐	☐	☐	☐	☐

SECTION E - INTERNATIONAL AGRICULTURAL TRADE AND DEVELOPMENT

Check your views on each question:

1. The United States should:

	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
a. Negotiate world-wide reductions in trade barriers	☐	☐	☐	☐	☐
b. Rely more on separate trade agreements between the U.S. and individual countries	☐	☐	☐	☐	☐
c. Negotiate reductions in domestic farm subsidies of major importing and exporting countries world-wide	☐	☐	☐	☐	☐
d. Join with other major exporting countries to establish production and marketing controls	☐	☐	☐	☐	☐
e. Provide more funds for food aid to hungry nations	☐	☐	☐	☐	☐
f. Encourage additional farmer-financed foreign market development programs	☐	☐	☐	☐	☐
g. Continue the export enhancement program established by the 1985 farm bill and other government export subsidies	☐	☐	☐	☐	☐
h. Reduce our agricultural import barriers to encourage more trade	☐	☐	☐	☐	☐
i. Assist developing countries to increase their agricultural productivity and trade potential	☐	☐	☐	☐	☐
j. Give selected low income countries preferred entry to our U.S. agricultural market.	☐	☐	☐	☐	☐

SECTION F - FEDERAL SPENDING

1. Reducing the federal deficit has been one of the major policy goals in recent years. (Check your opinion on each proposal.)

The federal deficit should be reduced by:	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
a. Reducing every budget item by a set percentage	☐	☐	☐	☐	☐
b. Reducing the defense budget	☐	☐	☐	☐	☐
c. Reducing social programs (excluding social security)	☐	☐	☐	☐	☐

d. Reducing social security payments ☐ ☐ ☐ ☐ ☐

e. Reducing farm program expenditures ☐ ☐ ☐ ☐ ☐

f. Raising taxes ☐ ☐ ☐ ☐ ☐

g. Increasing collection of taxes due the federal government ☐ ☐ ☐ ☐ ☐

h. Increasing user fees for government services ☐ ☐ ☐ ☐ ☐

2. Farm commodity programs have recently cost $15 to $20 billion each year. If reductions were required because of the need to reduce federal spending, which would you favor? (Check one)
   - a. Make across the board percentage cuts as required ☐
   - b. Cut some commodity programs more than others ☐
   - c. Continue payments to operators of small to moderate size farms (gross sales under $250,000) and reduce payments to large farm operators ☐
   - d. Make payments only to farmers with the most severe financial need ☐
   - e. Other ______

SECTION G - PERSONAL DATA

To help us analyze your answers, we would like to know more about you.

1. Your age: (Please check)
   - Under 35 ☐
   - 35 - 49 ☐
   - 50 - 64 ☐
   - 65 or over ☐
2. Approximate annual gross sales (including government payments) from your farm in recent years:
   - Under $40,000 ☐
   - $40,000 - $99,999 ☐
   - $100,000 - $249,999 ☐
   - $250,000 - $499,999 ☐
   - Over $500,000 ☐
3. What was the last year of school you completed?
   - Grade school ☐
   - Some high school ☐
   - High school graduate ☐
   - Some college or technical school ☐
   - Graduated from college ☐
4. If you or members of your family were employed off the farm, check the approximate amount of family income in 1988 that came from off farm employment:
   - Under $10,000 ☐
   - $10,000 - $19,999 ☐
   - $20,000 - $40,000 ☐
   - Over $40,000 ☐
5. What was your most important source of cash receipts in 1988? (check one)

   Grain ☐ Hogs, Beef, Sheep ☐

   Dairy ☐ Mixed Grain and Livestock ☐

   Other ☐ Specify ______
6. Check below the programs that you participated in during 1988?

	Wheat	Feed Grain	Cotton	Rice
Price Support and Acreage Reduction	☐	☐	☐	☐

   Conservation Reserve ☐ 1988 Disaster Program ☐

   Other programs ______
7. Please check your membership in these organizations in 1988:
   - American Agr. Movement ☐
   - Farm Bureau ☐
   - Farmers Union ☐
   - Grange ☐
   - NFO ☐
   - Cattlemen's Association ☐
   - Corn Growers ☐
   - Cotton Growers ☐
   - Grain Sorghum Growers ☐
   - Labor Union ☐
   - Milk Producers ☐
   - Pork Producers ☐
   - Soybean Association ☐
   - Wheat Growers ☐
   - Other (Specify) ______

Table 1. Participating States, Size of Sample, and Number of Usable Responses

Region and state	Number of farmers in sample	Number of usable responses	Response percentage
North Central			
Illinois	1,000	594	59
Indiana	1,500	515	34
Iowa	3,270	2,014	62
Kansas	3,000	1,221	41
Michigan	915	348	38
Missouri	1,000	420	42
Nebraska	1,000	112	11
North Dakota	1,000	609	61
South Dakota	1,500	490	33
Wisconsin	1,000	430	43
West			
Arizona	700	332	47
Idaho	3,100	1,148	37
Washington	1,000	397	40
South			
Alabama	1,193	451	37
Arkansas	1,000	627	63
Florida	869	180	21
Mississippi	1,500	531	35
Oklahoma	1,700	450	26
South Carolina	350	153	44
Texas	3,000	1,206	60
Northeast, New York	1,000	550	55
Total		12,717	

Table 2. Preferred Policy on Production and Price Supports after 1990

Region and state	Keep present program	Mandatory controls	Decoupling	Eliminate all	Other	No reply
			percentage of respondents			
North Central	32	12	9	37	4	6
Illinois	39	8	9	38	3	3
Indiana	30	8	9	42	4	6
Iowa	38	10	14	30	5	3
Kansas	37	12	11	31	7	2
Michigan	31	7	5	46	3	8
Missouri	25	7	6	43	5	14
Nebraska	39	13	11	27	5	5
North Dakota	40	18	15	22	3	2
South Dakota	33	13	12	35	2	5
Wisconsin	25	23	5	36	3	8
West	21	7	5	45	15	7
Arizona	24	8	6	49	9	4
Idaho	23	5	4	52	13	3
Washington	20	7	5	44	16	8
South	35	10	7	32	5	11
Alabama	33	6	5	30	15	11
Arkansas	32	7	6	33	10	12
Florida	32	10	4	46	4	4
Mississippi	41	9	6	33	4	7
Oklahoma	31	18	12	26	11	2
South Carolina	40	17	9	24	10	0
Texas	37	9	6	33	4	11
Northeast, New York	19	10	4	37	5	25
Composite, 21 states	33	11	8	35	5	8

Note: Regional and 21-state composite responses are calculated using the number of farms in each state to give a representative response. States with large numbers of farms will have more influence in the final calculated figure.

Table 3. Preferences for Continuation of Target Prices

Region and state	Continue present levels	Raise	Lower	Phase out	Other	No reply
			percentage of respondents			
North Central	11	42	9	28	3	7
Illinois	13	40	13	27	2	5
Indiana	12	34	10	34	2	7
Iowa	15	42	7	31	3	2
Kansas	11	49	9	26	4	1
Michigan	7	41	7	36	3	6
Missouri	10	32	8	32	2	16
Nebraska	17	46	6	21	5	5
North Dakota	9	66	7	15	2	1
South Dakota	8	48	10	30	2	2
Wisconsin	11	42	9	26	3	9
West	7	22	9	41	2	16
Arizona	9	20	12	43	4	12
Idaho	9	25	8	40	3	15
Washington	7	22	9	40	5	17
South	14	35	10	28	3	10
Alabama	17	26	7	25	8	16
Arkansas	14	30	10	27	9	10
Florida	14	25	16	38	3	4
Mississippi	14	41	10	26	4	5
Oklahoma	9	50	7	23	2	9
South Carolina	15	46	7	17	3	12
Texas	14	33	10	30	0	13
Northeast, New York	7	29	8	27	4	25
Composite, 21 states	12	38	9	28	3	10

Table 4. Preferred Loan Rate Policy

Region and state	Average price	Raise rates	Eliminate loans	No response
		percentage of respondents		
North Central	35	19	36	10
Illinois	39	19	34	8
Indiana	30	17	43	10
Iowa	49	20	27	4
Kansas	39	25	33	3
Michigan	33	16	44	7
Missouri	31	11	39	19
Nebraska	37	27	29	7
North Dakota	38	36	22	4
South Dakota	40	24	34	2
Wisconsin	35	11	41	13
West	29	7	44	20
Arizona	33	8	44	15
Idaho	27	11	45	17
Washington	29	7	44	20
South	37	17	30	16
Alabama	37	11	27	25
Arkansas	43	8	28	21
Florida	42	8	46	4
Mississippi	40	19	31	10
Oklahoma	34	27	28	11
South Carolina	41	26	20	13
Texas	35	18	31	16
Northeast, New York	27	8	34	31
Composite, 21 states	36	18	34	12

Table 5. Preference for Continuing Paid Land Diversion

Region and state	Yes	No	Not sure	No reply
	percentage of respondents			
North Central	43	25	24	8
Illinois	51	20	27	2
Indiana	38	29	26	7
Iowa	60	18	21	1
Kansas	50	25	22	3
Michigan	45	26	21	8
Missouri	30	36	29	5
Nebraska	53	21	22	4
North Dakota	59	20	19	2
South Dakota	55	24	20	1
Wisconsin	38	27	29	6
West	29	32	28	11
Arizona	25	38	29	8
Idaho	27	34	29	10
Washington	30	31	28	11
South	41	29	24	6
Alabama	31	23	32	14
Arkansas	33	27	31	9
Florida	36	43	19	2
Mississippi	42	27	29	2
Oklahoma	54	21	16	9
South Carolina	50	21	22	7
Texas	39	33	23	5
Northeast, New York	29	28	23	20
Composite, 21 states	41	27	24	8

Table 6. Marketing Loan for Wheat, Feed Grains, and Soybeans

Region and state	Yes	No	Not sure	No reply
	percentage of respondents			
North Central	34	31	27	8
Illinois	37	33	27	3
Indiana	29	40	26	5
Iowa	39	31	28	2
Kansas	41	27	25	7
Michigan	34	41	18	7
Missouri	33	27	33	7
Nebraska	38	31	26	5
North Dakota	52	18	26	4
South Dakota	43	29	25	3
Wisconsin	22	36	34	8
West	17	38	33	12
Arizona	17	44	29	10
Idaho	17	40	32	11
Washington	17	37	33	13
South	41	28	24	7
Alabama	32	22	31	15
Arkansas	42	24	26	8
Florida	35	43	18	2
Mississippi	47	25	25	3
Oklahoma	45	24	20	11
South Carolina	38	25	29	8
Texas	42	29	23	6
Northeast, New York	16	27	34	23
Composite, 21 states	36	30	26	8

Table 7. Preferred Type of Acreage Bases

Region and state	Crop-specific bases	Crop acreage bases	Other	No reply
		percentage of respondents		
North Central	29	50	8	13
Illinois	38	49	6	7
Indiana	28	50	10	12
Iowa	39	46	11	4
Kansas	24	63	10	3
Michigan	35	46	9	10
Missouri	22	47	8	23
Nebraska	23	61	5	11
North Dakota	35	56	6	3
South Dakota	34	53	11	2
Wisconsin	37	43	7	13
West	26	33	16	25
Arizona	29	38	13	20
Idaho	29	33	12	26
Washington	25	32	17	26
South	33	46	9	12
Alabama	31	34	14	21
Arkansas	31	44	11	14
Florida	27	47	20	6
Mississippi	39	46	7	8
Oklahoma	31	55	5	9
South Carolina	47	34	6	13
Texas	33	46	7	14
Northeast, New York	31	32	10	27
Composite, 21 states	31	47	8	14

Table 8. Preference for Continuing Use of Payment-in-Kind (PIK) Certificates

Region and state	Yes	No	Not sure	No reply
		percentage of respondents		
North Central	35	37	21	8
Illinois	40	38	20	2
Indiana	31	36	25	8
Iowa	43	41	15	1
Kansas	40	42	16	2
Michigan	41	37	15	7
Missouri	28	29	36	7
Nebraska	46	35	13	6
North Dakota	37	51	10	2
South Dakota	31	55	12	2
Wisconsin	31	36	25	8
West	30	27	32	11
Arizona	33	31	26	11
Idaho	31	32	26	11
Washington	30	26	33	11
South	41	26	26	7
Alabama	32	15	38	15
Arkansas	37	20	33	10
Florida	43	32	22	3
Mississippi	39	23	34	4
Oklahoma	47	30	14	9
South Carolina	48	25	18	9
Texas	40	28	26	6
Northeast, New York	24	22	34	20
Composite, 21 states	37	32	24	7

Table 9. Preference for Continuing Farmer-Owned Grain Reserve

Region and state	Yes	No	Not sure	No reply
		percentage of respondents		
North Central	45	25	23	7
Illinois	44	25	28	3
Indiana	37	28	29	6
Iowa	58	21	20	1
Kansas	46	28	22	4
Michigan	45	31	17	7
Missouri	42	22	29	7
Nebraska	56	20	16	8
North Dakota	56	30	13	1
South Dakota	56	28	15	1
Wisconsin	41	23	30	6
West	35	22	31	12
Arizona	41	20	28	11
Idaho	32	27	29	12
Washington	34	23	31	12
South	47	20	26	7
Alabama	40	13	32	15
Arkansas	51	13	28	8
Florida	52	22	24	2
Mississippi	47	17	32	4
Oklahoma	43	29	20	8
South Carolina	50	18	24	8
Texas	49	19	26	6
Northeast, New York	32	14	34	20
Composite, 21 states	45	22	25	8

Table 10. Preferred Milk Price Policy

Region and state	Present program	Cost and quota	Phase out program	Secretary of Agriculture	Not sure	No reply
			percentage of respondents			
North Central	18	17	27	4	26	8
Illinois	22	14	23	4	31	6
Indiana	15	12	32	5	28	8
Iowa[a]	na	na	na	na	na	na
Kansas	20	16	31	4	26	3
Michigan	20	22	29	4	16	9
Missouri	14	10	32	3	29	12
Nebraska	22	13	18	7	28	12
North Dakota	27	18	16	5	31	3
South Dakota	21	19	29	4	24	3
Wisconsin	14	33	25	2	19	7
West	12	11	42	3	21	11
Arizona	12	9	47	3	19	10
Idaho	14	10	42	2	18	14
Washington	11	12	41	3	21	12
South	15	13	31	5	23	13
Alabama	11	10	24	7	28	20
Arkansas	10	11	30	7	30	12
Florida	16	16	44	4	14	6
Mississippi	20	19	24	6	20	11
Oklahoma	17	15	28	3	26	11
South Carolina	18	16	21	3	31	11
Texas	15	12	32	6	21	14
Northeast, New York[a, b]	12	27	24	na	19	na
Composite, 19 states	17	15	29	5	25	9

[a] na: The question was not asked.

[b] Other responses included buyout program, 9%; cash income subsidies, 3%; and other, 6%.

Table 11. Preferred Discretion for the Secretary of Agriculture

Region and state	More	Less	No change	No reply
	percentage of respondents			
North Central	15	34	41	10
Illinois	17	27	49	7
Indiana	15	34	41	10
Iowa	18	30	49	3
Kansas	14	41	39	6
Michigan	14	37	42	7
Missouri	12	32	41	15
Nebraska	19	27	46	8
North Dakota	17	39	40	4
South Dakota	18	39	40	3
Wisconsin	13	42	35	10
West	14	32	37	17
Arizona	17	33	35	15
Idaho	13	36	34	17
Washington	13	32	37	18
South	16	33	41	10
Alabama	15	22	43	20
Arkansas	12	27	47	14
Florida	52	22	23	3
Mississippi	19	32	42	7
Oklahoma	15	43	32	10
South Carolina	17	32	40	11
Texas	15	33	43	9
Northeast, New York	14	32	30	24
Composite, 21 states	15	33	40	12

Table 12. Responses to the Statement that Future Farm Programs Should Give More Benefits to Farmers with Annual Sales Under $250,000

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	24	31	15	15	8	7
Illinois	17	39	17	17	5	5
Indiana	6	19	27	25	15	8
Iowa[a]	na	na	na	na	na	na
Kansas	25	35	14	15	9	2
Michigan	26	28	10	17	11	8
Missouri	15	34	20	16	7	8
Nebraska	29	25	16	17	9	5
North Dakota	40	28	10	12	6	4
South Dakota	42	26	9	15	8	0
Wisconsin	25	32	17	12	7	7
West	18	27	17	18	10	10
Arizona	12	26	14	23	15	10
Idaho	21	26	15	14	9	15
Washington	19	28	18	16	9	10
South	19	32	16	17	9	8
Alabama	17	31	20	12	3	17
Arkansas	9	40	21	17	5	8
Florida	27	26	16	18	11	2
Mississippi	19	29	18	19	8	7
Oklahoma	21	30	10	18	11	10
South Carolina	25	29	11	17	8	10
Texas	18	32	16	18	10	6
Northeast, New York	22	29	18	15	5	11
Composite, 20 states	22	31	16	16	8	7

[a] na: The question was not asked.

Table 13. Response to the Statement that Government Programs Should Influence the Number and Size of Farms

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	7	22	25	25	13	8
Illinois	5	23	24	30	12	6
Indiana	5	15	21	20	12	27
Iowa[a]	na	na	na	na	na	na
Kansas	7	22	24	27	17	3
Michigan	5	23	25	23	15	9
Missouri	3	25	29	24	10	9
Nebraska	13	20	23	26	13	5
North Dakota	13	28	21	24	11	3
South Dakota	11	23	23	22	18	3
Wisconsin	6	19	29	27	10	9
West	3	17	21	27	21	11
Arizona	5	18	17	29	20	11
Idaho	4	17	23	23	17	16
Washington	3	17	21	27	21	11
South	5	25	24	24	12	10
Alabama	6	23	27	19	6	19
Arkansas	2	31	26	25	7	9
Florida	6	22	21	33	15	3
Mississippi	8	29	23	20	11	9
Oklahoma	4	18	20	27	19	11
South Carolina	7	25	20	25	9	14
Texas	5	27	26	23	11	8
Northeast, New York	7	20	24	25	11	13
Composite, 20 states	6	23	24	25	13	9

Table 14. Proposed Ways to Reduce Farm Commodity Program Expenditures

Region and state	Percent cuts	Cut some more	More to small farms	Financial need only	Other	No reply
			percentage of respondents			
North Central	28	5	43	13	3	8
Illinois	33	7	40	11	3	6
Indiana	35	6	35	15	4	5
Iowa[a]	na	na	na	na	na	na
Kansas	29	5	48	9	6	3
Michigan	31	6	37	12	3	11
Missouri	20	5	35	25	3	11
Nebraska	30	3	52	7	3	5
North Dakota	24	5	62	5	1	3
South Dakota	28	2	54	7	4	5
Wisconsin	26	7	47	10	3	7
West	33	9	28	16	3	11
Arizona	37	12	21	17	4	9
Idaho	31	7	31	16	3	12
Washington	31	8	30	16	3	12
South	30	8	30	19	4	9
Alabama	22	5	23	22	7	21
Arkansas	30	7	26	23	5	9
Florida	27	8	23	26	6	10
Mississippi	35	11	27	18	4	5
Oklahoma	41	7	33	5	3	11
South Carolina	31	6	34	16	3	10
Texas	27	9	32	21	3	8
Northeast, New York	6	36	18	6	1	33
Composite, 20 states	29	7	37	15	4	8

[a] na: The question was not asked.

Table 15. Opinions on Conservation Compliance to Obtain Program Benefits

Region and state	Yes	No	Not sure	No reply
		percentage of respondents		
North Central	59	23	14	4
Illinois	62	24	13	1
Indiana	58	22	14	6
Iowa[a]	na	na	na	na
Kansas	61	26	11	2
Michigan	63	20	11	6
Missouri	59	19	17	5
Nebraska	53	29	17	1
North Dakota	51	37	11	1
South Dakota	70	21	8	1
Wisconsin	64	19	12	5
West	58	17	16	9
Arizona	57	24	10	9
Idaho	52	23	15	10
Washington	58	16	17	9
South	59	19	12	14
Alabama	53	15	16	16
Arkansas	62	13	18	7
Florida	72	17	8	3
Mississippi	61	20	15	4
Oklahoma	54	30	8	8
South Carolina	64	17	13	6
Texas	59	24	12	5
Northeast, New York	55	19	12	14
Composite, 20 states	60	22	13	5

Table 16. Preferred Future Conservation Reserve Policy

Region and state	Current 30 million acres	Expand to 45 million acres	Expand to 60 million acres	Eliminate program	Other	No reply
			percentage of respondents			
North Central	22	26	16	24	2	10
Illinois	22	31	20	18	3	6
Indiana	20	26	17	24	2	11
Iowa[a]	na	na	na	na	na	na
Kansas	24	33	19	19	4	1
Michigan	17	29	17	28	2	7
Missouri	24	16	11	33	1	16
Nebraska	25	34	14	20	1	6
North Dakota	25	27	23	21	3	1
South Dakota	22	28	22	22	3	3
Wisconsin	27	22	15	28	0	8
West	15	18	10	36	4	17
Arizona	18	14	5	41	3	19
Idaho	19	15	11	36	2	17
Washington	14	19	11	35	4	17
South	24	21	13	29	4	9
Alabama	25	14	9	23	10	19
Arkansas	22	23	8	26	10	11
Florida	21	20	17	33	2	7
Mississippi	24	24	13	28	4	7
Oklahoma	17	28	23	21	2	9
South Carolina	30	25	17	19	1	8
Texas	26	19	9	33	3	10
Northeast, New York	23	14	8	28	4	23
Composite, 20 states	23	23	14	26	3	11

[a] na: The question was not asked.

Table 17. Preferred Ways to Improve Soil Conservation and Water Quality

Region and state	Regulate farm practices	Tax certain practices	Cost sharing	Modify cultural practices
		percentage of respondents		
North Central	17	19	43	25
Illinois	22	14	48	34
Indiana	13	20	44	26
Iowa[a]	na	na	na	na
Kansas	12	20	58	19
Michigan	18	18	43	24
Missouri	16	14	38	23
Nebraska	16	22	44	30
North Dakota	18	19	39	30
South Dakota	18	28	46	26
Wisconsin	20	27	38	23
West	13	11	47	22
Arizona	11	10	53	16
Idaho	11	13	46	16
Washington	14	11	46	24
South	17	13	47	18
Alabama	24	11	34	19
Arkansas	15	16	34	18
Florida	19	21	51	13
Mississippi	24	12	42	25
Oklahoma	12	9	58	19
South Carolina	15	11	46	29
Texas	16	13	50	16
Northeast, New York	10	11	50	23
Composite, 20 states	16	16	45	22

Note: Respondents could select more than one answer.

Table 18. Responses to the Statement that the Government Should Regulate Land Uses to Reduce Water Pollution

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	20	41	13	12	5	9
Illinois	14	44	16	16	5	5
Indiana	21	37	14	15	6	7
Iowa[a]	na	na	na	na	na	na
Kansas	21	45	13	13	7	1
Michigan	23	42	11	12	5	7
Missouri	16	42	15	13	5	9
Nebraska	31	44	15	5	2	3
North Dakota	22	39	14	14	8	3
South Dakota	28	48	9	11	4	0
Wisconsin	23	42	11	13	3	8
West	12	38	13	16	11	10
Arizona	14	30	15	17	14	10
Idaho	14	34	15	14	8	15
Washington	12	40	12	16	10	10
South	21	42	11	12	6	8
Alabama	19	42	11	8	2	18
Arkansas	13	54	12	9	3	9
Florida	33	43	9	10	3	2
Mississippi	27	39	13	8	4	9
Oklahoma	17	36	12	16	9	11
South Carolina	18	44	11	12	5	10
Texas	23	41	10	14	6	6
Northeast, New York	11	38	15	19	5	12
Composite, 20 states	20	41	12	13	5	9

[a] na: The question was not asked.

Table 19. Preferred Policy on Crop Insurance

Region and state	Present program	Disaster payments	Eliminate all programs	Mandatory crop insurance	Not sure	Other	No reply
			percentage of respondents				
North Central	33	21	10	13	14	2	7
Illinois	42	16	9	12	16	1	4
Indiana	34	22	14	9	14	2	5
Iowa[a]	na	na	na	na	na	na	na
Kansas	36	26	11	12	12	3	0
Michigan	27	30	13	14	9	2	5
Missouri	26	19	15	10	19	1	10
Nebraska	37	21	5	21	12	4	0
North Dakota	51	13	4	20	7	4	1
South Dakota	38	25	9	16	8	2	2
Wisconsin	29	27	11	12	15	1	5
West	34	16	10	13	16	1	10
Arizona	26	11	16	19	17	1	10
Idaho	30	19	13	8	16	2	12
Washington	35	17	8	11	16	2	11
South	32	19	12	14	14	9	0
Alabama	28	10	7	15	21	2	17
Arkansas	28	15	10	20	15	2	10
Florida	32	13	16	20	15	1	3
Mississippi	31	21	14	14	14	2	4
Oklahoma	33	27	9	11	10	2	8
South Carolina	33	25	11	9	16	1	7
Texas	35	19	12	14	12	2	6
Northeast, New York	32	30	5	8	12	3	10
Composite, 20 states	33	21	11	13	14	2	6

Table 20. Preferred Policy on Payment Limitation

Region and state	Increase the limit	Make no change	Decrease the limit	Eliminate the limit	Other	No reply
			percentage of respondents			
North Central	7	44	31	10	4	4
Illinois	10	50	24	12	2	2
Indiana	7	37	30	15	5	5
Iowa[a]	na	na	na	na	na	na
Kansas	7	46	33	7	6	1
Michigan	7	42	32	7	7	5
Missouri	6	36	29	15	3	1
Nebraska	7	52	30	7	3	1
North Dakota	7	56	30	4	2	1
South Dakota	5	44	39	6	5	1
Wisconsin	4	41	38	6	5	6
West	11	33	21	17	7	11
Arizona	11	28	18	24	8	11
Idaho	6	32	32	11	6	13
Washington	10	34	23	15	7	11
South	8	39	25	15	5	8
Alabama	6	35	22	11	9	17
Arkansas	8	34	19	18	9	12
Florida	5	36	35	16	6	2
Mississippi	8	42	25	16	4	5
Oklahoma	12	40	21	15	4	8
South Carolina	7	48	22	13	2	8
Texas	8	40	26	14	5	7
Northeast, New York	14	39	31	8	5	3
Composite, 20 states	8	41	28	12	5	6

[a] na: The question was not asked.

Table 21. Preferred Policy on the Government's Loaning Money to Farmers with Limited Capital

Region and state	Yes	No	Not sure	No reply
		percentage of respondents		
North Central	33	38	18	11
Illinois	38	36	22	4
Indiana	28	44	20	8
Iowa[a]	na	na	na	na
Kansas	39	35	18	8
Michigan	26	50	12	12
Missouri	33	37	21	9
Nebraska	42	33	15	10
North Dakota	47	30	20	3
South Dakota	45	36	17	2
Wisconsin	26	47	19	8
West	36	34	17	13
Arizona	34	38	16	12
Idaho	34	34	16	16
Washington	37	33	18	12
South	43	33	15	9
Alabama	42	26	17	15
Arkansas	50	27	16	7
Florida	44	41	14	2
Mississippi	42	36	15	7
Oklahoma	40	35	11	14
South Carolina	30	39	18	13
Texas	44	32	16	8
Northeast, New York	36	36	18	10
Composite, 20 states	38	36	17	9

Table 22. Responses to the Proposal that Food Assistance Programs Should Be Increased to Meet Needs of Those Eligible

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	12	33	18	22	10	5
Illinois	9	36	20	24	6	5
Indiana	11	31	15	24	12	7
Iowa[a]	na	na	na	na	na	na
Kansas	12	31	22	23	10	2
Michigan	12	31	17	20	13	7
Missouri	8	31	16	26	11	8
Nebraska	14	30	21	21	11	3
North Dakota	16	35	19	19	9	2
South Dakota	15	34	16	24	10	1
Wisconsin	19	36	16	15	7	7
West	8	28	18	23	13	10
Arizona	7	22	21	22	18	10
Idaho	9	22	17	24	13	15
Washington	8	29	17	24	12	10
South	9	26	14	28	15	8
Alabama	8	27	13	22	12	18
Arkansas	5	38	15	24	8	10
Florida	15	24	11	30	18	2
Mississippi	8	19	14	25	25	9
Oklahoma	13	24	18	22	12	11
South Carolina	6	17	17	36	14	10
Texas	7	25	13	32	17	6
Northeast, New York	16	28	19	18	8	11
Composite, 20 states	11	30	16	24	12	7

[a] na: The question was not asked.

Table 23. Responses to the Proposal that the Government Should Increase Funding for Rural Development Programs

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	19	43	16	11	4	7
Illinois	13	51	18	13	2	3
Indiana	15	38	20	15	6	6
Iowa[a]	na	na	na	na	na	na
Kansas	21	42	16	13	6	2
Michigan	15	40	17	14	7	7
Missouri	15	48	14	12	3	8
Nebraska	27	39	20	6	4	4
North Dakota	33	40	14	8	3	2
South Dakota	26	47	10	10	5	2
Wisconsin	20	41	19	9	4	7
West	11	35	18	17	9	10
Arizona	16	29	17	18	12	8
Idaho	13	30	20	15	7	15
Washington	9	36	19	17	9	10
South	16	41	12	16	6	9
Alabama	15	40	12	12	4	17
Arkansas	10	52	12	14	3	9
Florida	23	35	12	19	9	2
Mississippi	20	33	12	18	9	8
Oklahoma	19	37	15	14	5	10
South Carolina	16	36	11	19	6	12
Texas	15	42	12	17	7	7
Northeast, New York	15	35	16	15	8	11
Composite, 20 states	17	41	15	13	5	9

[a] na: The question was not asked.

Table 24. Responses to the Proposal that the United States Should Negotiate Worldwide Trade-Barrier Reductions

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	24	46	16	5	1	8
Illinois	24	54	11	5	1	5
Indiana	33	40	13	4	1	9
Iowa	41	41	14	2	1	1
Kansas	25	49	17	5	2	2
Michigan	30	44	12	4	2	8
Missouri	17	47	19	8	2	7
Nebraska	23	52	16	3	0	6
North Dakota	25	48	16	6	2	3
South Dakota	28	51	10	6	1	4
Wisconsin	21	40	25	6	1	7
West	33	45	9	3	1	9
Arizona	35	41	9	3	1	11
Idaho	24	41	15	4	1	15
Washington	32	46	9	3	1	9
South	26	45	13	6	1	9
Alabama	22	35	17	6	1	19
Arkansas	12	57	15	5	1	10
Florida	31	42	13	7	2	5
Mississippi	28	40	16	8	1	7
Oklahoma	33	43	8	3	2	11
South Carolina	27	52	7	3	1	10
Texas	26	46	12	6	1	9
Northeast, New York	20	42	19	4	1	14
Composite, 21 states	25	46	14	5	1	9

Table 25. Responses to the Proposal that the United States Should Rely More on Bilateral Agreements

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	9	49	23	8	1	10
Illinois	8	55	20	11	1	5
Indiana	11	47	24	8	1	9
Iowa	12	46	28	9	2	3
Kansas	12	50	27	7	1	3
Michigan	12	46	22	9	1	10
Missouri	6	48	26	10	1	9
Nebraska	8	52	25	5	0	10
North Dakota	13	53	22	8	1	3
South Dakota	14	52	21	8	1	4
Wisconsin	9	48	27	4	1	11
West	10	44	22	11	1	12
Arizona	14	42	19	10	2	13
Idaho	11	43	21	7	1	17
Washington	9	44	23	12	1	11
South	12	50	19	7	1	11
Alabama	8	42	21	7	1	21
Arkansas	5	57	20	8	0	10
Florida	11	48	22	10	1	6
Mississippi	14	50	17	7	2	10
Oklahoma	13	45	20	6	2	14
South Carolina	10	47	25	5	1	12
Texas	14	51	17	7	1	10
Northeast, New York	9	44	24	9	1	13
Composite, 21 states	10	49	22	8	1	10

Table 26. Responses to the Proposal that the United States Should Negotiate Domestic Farm Subsidy Reductions in Major Importing and Exporting Countries

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	11	42	29	8	2	8
Illinois	10	47	29	7	2	5
Indiana	14	44	24	7	2	9
Iowa	19	42	28	7	2	2
Kansas	11	42	32	9	2	4
Michigan	13	41	24	9	2	11
Missouri	9	41	33	8	1	9
Nebraska	8	44	28	8	3	9
North Dakota	11	43	29	10	2	5
South Dakota	12	51	23	6	2	6
Wisconsin	11	34	35	7	2	11
West	17	42	21	7	1	12
Arizona	21	40	22	3	2	12
Idaho	13	37	25	6	1	18
Washington	16	42	21	8	1	12
South	13	39	25	8	2	13
Alabama	9	33	29	6	1	22
Arkansas	5	49	26	9	1	10
Florida	17	39	25	8	2	9
Mississippi	14	39	27	8	2	10
Oklahoma	15	35	24	7	4	15
South Carolina	9	45	24	9	0	13
Texas	15	39	24	9	2	11
Northeast, New York	12	35	32	7	1	13
Composite, 21 states	12	41	27	8	2	10

Table 27. Responses to the Proposal that the United States Should Join with Other Major Exporting Countries to Establish Production and Marketing Controls

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	7	35	22	21	5	10
Illinois	4	30	24	27	7	8
Indiana	7	29	24	22	8	10
Iowa	10	35	25	21	7	2
Kansas	8	39	22	21	6	4
Michigan	6	33	21	23	7	10
Missouri	6	37	22	22	3	10
Nebraska	8	34	25	19	5	9
North Dakota	12	41	20	20	4	3
South Dakota	10	41	17	21	5	6
Wisconsin	8	39	26	13	5	9
West	5	30	21	23	9	12
Arizona	8	29	15	24	11	13
Idaho	5	29	22	20	7	17
Washington	5	30	22	23	8	12
South	9	40	17	16	5	13
Alabama	6	34	19	14	6	21
Arkansas	4	50	17	16	2	11
Florida	8	35	18	20	6	13
Mississippi	15	37	20	14	4	10
Oklahoma	11	29	19	19	8	14
South Carolina	6	48	19	12	3	12
Texas	10	44	15	16	5	10
Northeast, New York	9	32	23	21	4	11
Composite, 21 states	8	37	20	19	5	11

Table 28. Responses to the Proposal that the United States Should Provide More Funds for Food Aid to Hungry Nations

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	9	31	22	24	7	7
Illinois	7	36	23	25	3	6
Indiana	10	34	19	20	9	8
Iowa	15	38	24	16	5	2
Kansas	7	28	25	27	10	3
Michigan	11	30	19	24	7	9
Missouri	4	27	24	29	9	7
Nebraska	11	30	17	27	7	8
North Dakota	13	36	22	20	7	2
South Dakota	10	33	24	20	7	6
Wisconsin	13	32	23	17	6	9
West	7	29	23	23	7	11
Arizona	8	22	24	27	8	11
Idaho	7	27	21	22	8	15
Washington	7	31	22	22	7	11
South	6	29	19	26	9	11
Alabama	6	24	20	23	6	20
Arkansas	4	35	17	28	7	9
Florida	5	29	17	27	9	13
Mississippi	10	28	18	21	14	9
Oklahoma	10	28	20	23	8	11
South Carolina	7	36	21	17	7	12
Texas	5	28	19	28	10	10
Northeast, New York	12	28	23	19	6	12
Composite, 21 states	8	30	21	24	8	9

Table 29. Responses to the Proposal that the United States Should Encourage Additional Farmer-Financed Foreign Market Development Programs

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	7	38	25	17	6	7
Illinois	7	44	21	15	6	7
Indiana	9	42	19	16	5	9
Iowa	11	42	27	13	4	3
Kansas	8	39	27	16	7	3
Michigan	7	37	23	16	8	9
Missouri	6	39	25	20	4	6
Nebraska	5	33	34	14	5	9
North Dakota	9	38	26	18	6	3
South Dakota	9	44	21	17	5	4
Wisconsin	7	30	30	19	6	8
West	10	45	17	11	5	12
Arizona	15	40	14	14	5	12
Idaho	10	36	20	13	4	17
Washington	9	47	18	10	4	12
South	8	39	19	16	6	12
Alabama	6	33	22	11	5	24
Arkansas	4	40	21	22	3	10
Florida	7	39	18	17	8	11
Mississippi	10	35	22	16	8	9
Oklahoma	11	39	20	13	5	12
South Carolina	9	40	21	11	7	12
Texas	9	41	18	17	5	10
Northeast, New York	8	27	25	20	7	13
Composite, 21 states	8	38	23	17	6	8

Table 30. Responses to the Proposal that the United States Should Continue the Export Enhancement Program and Other Export Subsidies

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	7	41	30	10	3	9
Illinois	5	51	26	10	2	6
Indiana	6	40	32	8	3	11
Iowa	10	40	34	10	3	3
Kansas	11	44	27	11	3	4
Michigan	6	40	27	13	5	9
Missouri	3	38	36	11	2	10
Nebraska	7	38	34	7	3	11
North Dakota	19	48	20	8	2	3
South Dakota	10	41	28	12	4	5
Wisconsin	6	35	37	9	4	9
West	10	38	27	10	3	12
Arizona	11	34	27	11	4	13
Idaho	8	34	29	8	3	18
Washington	10	39	28	9	2	12
South	8	40	29	8	3	12
Alabama	3	35	31	7	3	22
Arkansas	3	43	32	11	1	10
Florida	8	29	33	13	6	11
Mississippi	11	40	27	8	3	11
Oklahoma	17	41	21	7	3	11
South Carolina	12	46	24	5	1	12
Texas	7	42	30	8	3	10
Northeast, New York	6	31	36	9	3	15
Composite, 21 states	8	40	29	9	3	11

Table 31. Responses to the Proposal that the United States Reduce Its Agricultural Import Barriers to Encourage Trade

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	6	30	22	25	8	9
Illinois	4	40	23	23	6	4
Indiana	6	31	22	25	6	10
Iowa	8	29	30	25	7	1
Kansas	7	28	25	29	8	3
Michigan	7	27	20	30	7	9
Missouri	5	36	22	22	7	8
Nebraska	5	30	22	25	11	7
North Dakota	8	26	24	29	9	4
South Dakota	9	26	19	29	12	5
Wisconsin	5	22	26	28	10	9
West	6	26	27	21	7	13
Arizona	10	27	20	23	9	11
Idaho	7	20	21	27	8	17
Washington	6	26	29	21	6	12
South	7	31	19	23	9	11
Alabama	7	29	18	19	6	21
Arkansas	4	42	32	11	1	10
Florida	6	34	20	22	10	8
Mississippi	10	36	20	16	8	10
Oklahoma	9	22	20	25	11	13
South Carolina	7	34	19	18	9	13
Texas	7	31	18	26	9	9
Northeast, New York	6	18	24	31	9	12
Composite, 21 states	6	30	21	24	8	11

Table 32. Responses to the Proposal that the United States Should Assist Developing Countries Increase Their Agricultural Productivity and Trade Potential

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	3	27	23	27	10	10
Illinois	2	30	22	29	10	7
Indiana	2	28	21	25	13	11
Iowa	5	30	29	24	9	3
Kansas	4	30	26	27	1	3
Michigan	5	32	17	28	9	9
Missouri	3	34	21	25	7	10
Nebraska	2	20	26	31	13	8
North Dakota	4	19	26	32	14	5
South Dakota	2	20	22	33	16	7
Wisconsin	4	29	26	22	9	10
West	4	27	23	25	9	12
Arizona	5	27	15	29	12	12
Idaho	4	24	21	24	10	17
Washington	4	28	25	24	8	11
South	5	32	18	24	11	10
Alabama	4	33	19	17	6	21
Arkansas	4	42	18	20	6	10
Florida	6	37	16	24	10	7
Mississippi	7	28	18	21	13	13
Oklahoma	4	21	17	28	16	14
South Carolina	3	30	20	22	12	13
Texas	5	34	17	24	10	10
Northeast, New York	5	38	21	19	5	12
Composite, 21 states	4	30	21	25	10	10

Table 33. Responses to the Proposal that the United States Should Give Selected Low Income Countries Preferred Entry to the U.S. Agricultural Market

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	3	29	28	24	7	9
Illinois	2	35	29	24	5	5
Indiana	3	27	32	21	7	10
Iowa	6	35	36	18	4	1
Kansas	4	35	30	22	6	3
Michigan	5	27	24	28	7	9
Missouri	2	27	27	22	7	9
Nebraska	4	32	29	22	7	6
North Dakota	7	35	31	19	4	4
South Dakota	3	33	27	22	9	6
Wisconsin	2	22	32	24	11	9
West	3	21	29	27	9	11
Arizona	3	21	26	25	15	10
Idaho	4	20	28	23	9	16
Washington	3	21	30	28	7	11
South	4	29	23	24	10	10
Alabama	2	26	26	19	7	20
Arkansas	1	37	23	21	7	11
Florida	7	22	23	29	11	8
Mississippi	5	24	24	21	16	10
Oklahoma	6	23	24	23	11	13
South Carolina	3	31	24	17	11	14
Texas	3	31	22	25	10	9
Northeast, New York	4	23	28	25	8	12
Composite, 21 states	3	28	26	24	8	11

Table 34. Responses to the Proposal that the Federal Deficit Should Be Reduced by Cutting Every Budget Item by a Set Percentage

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	17	38	15	18	4	8
Illinois	12	42	19	20	2	5
Indiana	17	36	16	19	3	9
Iowa[a]	na	na	na	na	na	na
Kansas	20	41	15	17	3	4
Michigan	22	34	16	16	4	8
Missouri	14	40	19	17	3	7
Nebraska	13	48	10	16	4	9
North Dakota	15	39	17	20	5	4
South Dakota	20	41	12	17	4	6
Wisconsin	15	36	16	21	4	8
West	22	29	13	23	4	9
Arizona	27	28	11	22	3	9
Idaho	18	32	15	17	3	15
Washington	21	30	13	23	4	9
South	19	37	13	18	4	9
Alabama	13	33	17	16	3	18
Arkansas	9	47	15	18	2	9
Florida	20	33	13	18	4	12
Mississippi	19	37	14	18	5	7
Oklahoma	22	33	12	17	4	12
South Carolina	26	32	11	18	1	12
Texas	20	38	13	18	5	6
Northeast, New York[a]	na	na	na	na	na	na
Composite, 19 states	17	36	14	17	3	13

[a] na: The question was not asked.

Table 35. Responses to the Proposal that the Federal Deficit Should Be Reduced by Reducing the Defense Budget

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	19	36	13	19	5	8
Illinois	16	43	14	22	2	3
Indiana	20	37	15	15	5	8
Iowa[a]	na	na	na	na	na	na
Kansas	26	41	12	13	4	4
Michigan	22	36	11	18	5	8
Missouri	13	36	15	24	5	7
Nebraska	22	40	13	15	5	5
North Dakota	32	38	12	11	3	4
South Dakota	29	39	10	14	4	4
Wisconsin	30	39	12	10	2	7
West	23	38	12	16	3	8
Arizona	18	34	12	21	6	9
Idaho	18	30	14	18	5	15
Washington	24	39	12	15	3	7
South	14	34	12	24	7	9
Alabama	8	30	15	22	9	16
Arkansas	10	40	12	24	6	8
Florida	16	27	11	23	12	11
Mississippi	15	32	12	23	10	8
Oklahoma	19	33	10	23	4	11
South Carolina	17	32	12	21	7	11
Texas	15	35	13	25	6	6
Northeast, New York[a]	na	na	na	na	na	na
Composite, 19 states	18	35	12	19	5	11

Table 36. Responses to the Proposal that the Federal Deficit Should Be Reduced by Reducing Social Programs, Excluding Social Security

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	13	35	16	21	6	9
Illinois	9	37	18	25	7	4
Indiana	16	34	18	19	5	8
Iowa[a]	na	na	na	na	na	na
Kansas	15	35	19	21	6	4
Michigan	19	33	12	22	6	8
Missouri	14	35	16	24	5	6
Nebraska	13	45	16	16	8	2
North Dakota	11	33	15	27	10	4
South Dakota	15	33	14	26	7	5
Wisconsin	15	32	15	23	8	7
West	18	35	15	18	6	8
Arizona	26	37	11	14	4	8
Idaho	17	31	13	17	7	15
Washington	16	35	16	19	7	7
South	18	39	10	18	6	9
Alabama	14	34	12	17	6	17
Arkansas	11	48	11	19	3	8
Florida	24	35	6	13	11	11
Mississippi	26	35	8	15	9	7
Oklahoma	18	36	12	16	6	12
South Carolina	19	41	12	12	7	9
Texas	18	40	10	20	6	6
Northeast, New York[a]	na	na	na	na	na	na
Composite, 19 states	16	37	14	20	6	7

[a] na: The question was not asked.

Table 37. Responses to the Proposal that the Federal Deficit Should Be Reduced by Reducing Social Security Payments

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	3	7	10	45	27	8
Illinois	3	8	12	52	20	5
Indiana	4	7	12	44	26	7
Iowa[a]	na	na	na	na	na	na
Kansas	4	8	12	45	28	3
Michigan	3	7	9	42	32	7
Missouri	2	4	6	53	28	7
Nebraska	3	9	15	38	31	4
North Dakota	3	8	11	46	29	3
South Dakota	4	7	10	45	28	6
Wisconsin	3	6	11	45	28	7
West	5	10	11	43	22	9
Arizona	6	8	12	41	22	11
Idaho	3	7	12	40	22	16
Washington	5	10	11	44	21	9
South	3	6	7	41	34	9
Alabama	2	5	4	41	30	18
Arkansas	2	4	5	44	37	8
Florida	1	6	10	41	33	10
Mississippi	2	3	6	32	50	7
Oklahoma	4	10	11	42	21	12
South Carolina	3	11	7	39	29	11
Texas	3	5	6	42	38	6
Northeast, New York[a]	na	na	na	na	na	na
Composite, 19 states	3	7	9	43	30	8

Table 38. Responses to the Proposal that the Federal Deficit Should Be Reduced by Reducing Farm Program Expenditures

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	9	32	17	26	8	8
Illinois	6	36	18	27	8	5
Indiana	14	35	17	21	5	8
Iowa[a]	na	na	na	na	na	na
Kansas	9	33	17	27	10	4
Michigan	11	37	12	24	9	7
Missouri	10	39	14	27	4	6
Nebraska	8	30	21	30	7	4
North Dakota	6	22	17	33	18	4
South Dakota	9	32	15	29	10	5
Wisconsin	9	26	21	26	11	7
West	14	40	14	18	5	9
Arizona	17	38	12	19	5	9
Idaho	13	38	14	15	5	15
Washington	13	40	14	18	6	9
South	10	33	13	25	10	9
Alabama	8	30	15	23	5	19
Arkansas	6	42	13	25	6	8
Florida	13	42	13	15	7	10
Mississippi	12	30	13	24	13	8
Oklahoma	9	27	12	27	12	13
South Carolina	11	22	14	29	13	11
Texas	10	32	13	27	11	7
Northeast, New York[a]	na	na	na	na	na	na
Composite, 19 states	10	33	15	25	9	8

[a] na: The question was not asked.

Table 39. Responses to the Proposal that the Federal Deficit Should Be Reduced by Raising Taxes

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	2	13	12	36	28	9
Illinois	1	16	14	39	25	5
Indiana	3	13	15	35	27	7
Iowa[a]	na	na	na	na	na	na
Kansas	3	13	13	36	32	3
Michigan	4	12	11	32	35	6
Missouri	1	12	12	43	26	6
Nebraska	3	16	10	38	31	2
North Dakota	2	16	14	37	29	2
South Dakota	3	16	13	35	27	6
Wisconsin	4	12	13	31	33	7
West						
Arizona	3	9	11	30	37	10
Idaho	2	6	11	33	33	15
Washington	2	15	12	32	30	9
South	2	11	10	34	35	8
Alabama	1	12	9	30	32	16
Arkansas	1	14	8	38	31	8
Florida	2	12	10	33	33	10
Mississippi	3	11	10	28	41	7
Oklahoma	2	8	12	32	34	12
South Carolina	3	6	14	36	31	10
Texas	3	12	8	35	36	6
Northeast, New York[a]	na	na	na	na	na	na
Composite, 19 states	2	12	11	35	31	9

Table 40. Responses to the Proposal that the Federal Deficit Should Be Reduced by Increasing the Collection of Taxes Due the Federal Government

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	27	44	9	8	5	7
Illinois	27	52	9	6	4	2
Indiana	27	44	8	9	4	8
Iowa[a]	na	na	na	na	na	na
Kansas	29	44	9	9	5	4
Michigan	25	42	10	9	7	7
Missouri	8	36	24	19	5	8
Nebraska	32	46	8	6	5	3
North Dakota	38	40	8	6	5	3
South Dakota	32	45	8	8	4	3
Wisconsin	27	37	13	9	7	7
West	25	46	11	6	4	8
Arizona	30	41	8	8	5	8
Idaho	22	40	11	8	5	14
Washington	24	47	12	6	4	7
South	28	42	9	8	5	8
Alabama	25	38	10	8	3	16
Arkansas	30	48	7	5	2	8
Florida	31	37	11	9	5	7
Mississippi	34	35	11	8	5	7
Oklahoma	23	42	10	7	7	11
South Carolina	30	41	11	4	5	9
Texas	29	44	8	8	5	6
Northeast, New York[a]	na	na	na	na	na	na
Composite, 19 states	27	43	9	8	5	8

[a] na: The question was not asked.

Table 41. Responses to the Proposal that the Federal Deficit Should Be Reduced by Increasing User Fees for Government Services

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No reply
			percentage of respondents			
North Central	10	35	24	17	5	9
Illinois	9	38	25	19	4	5
Indiana	12	37	21	16	6	8
Iowa[a]	na	na	na	na	na	na
Kansas	12	38	26	15	5	4
Michigan	10	31	24	19	8	8
Missouri	8	36	24	19	5	8
Nebraska	7	40	26	16	6	5
North Dakota	9	33	28	19	7	4
South Dakota	13	39	23	16	6	3
Wisconsin	14	32	26	15	5	8
West	9	30	24	20	9	8
Arizona	9	30	21	19	14	8
Idaho	8	28	22	19	8	15
Washington	9	31	24	20	8	8
South	11	34	22	17	7	9
Alabama	8	29	24	17	4	18
Arkansas	13	39	20	19	2	7
Florida	16	38	17	14	6	9
Mississippi	13	27	26	18	7	9
Oklahoma	11	32	20	17	9	11
South Carolina	12	28	24	16	9	12
Texas	11	35	24	17	7	6
Northeast, New York[a]	na	na	na	na	na	na
Composite, 19 states	10	35	23	17	6	9

[a] na: The question was not asked.

Table 42. Farm Program Participation in 1988

Region and state	Wheat	Feed grain	Cotton	Rice	Conservation Reserve	Disaster	Other
				percentage of respondents			
North Central	33	55	1	0	13	40	3
Illinois	21	74	0	0	11	51	2
Indiana	26	60	0	0	9	33	4
Iowa	0	87	0	0	20	59	0
Kansas	75	64	0	0	23	25	3
Michigan	39	54	0	0	9	41	3
Missouri	16	25	1	0	10	21	2
Nebraska	41	67	0	0	16	30	4
North Dakota	88	73	0	0	23	82	5
South Dakota	50	73	0	0	18	58	4
Wisconsin	4	47	0	0	10	63	4
West	27	19	6	0	10	3	3
Arizona	11	7	35	0	5	1	5
Idaho	33	26	1	0	7	13	5
Washington	31	21	0	0	12	4	3
South	26	19	12	3	11	18	7
Alabama	6	12	5	0	9	16	7
Arkansas	14	10	4	15	5	17	5
Florida	7	15	1	0	9	8	12
Mississippi	16	15	21	5	16	20	4
Oklahoma	73	26	18	1	16	26	4
South Carolina	42	52	17	0	19	8	0
Texas	19	18	14	1	9	17	9
Northeast, New York	9	23	0	0	4	14	5
Composite, 21 states	30	39	5	1	12	30	5

Table 43. Age of Respondents

Region and state	Under 35	35-49	50-64	65 and over	No reply
		percentage of respondents			
North Central	11	30	37	20	2
Illinois	12	31	38	18	1
Indiana	13	27	38	20	1
Iowa	8	30	46	14	2
Kansas	10	24	37	28	1
Michigan	7	29	34	24	6
Missouri	7	31	37	22	3
Nebraska	12	30	39	20	0
North Dakota	19	39	31	11	0
South Dakota	16	33	35	14	2
Wisconsin	13	28	41	17	1
West	7	32	41	18	2
Arizona	7	22	35	24	2
Idaho	9	29	38	20	4
Washington	7	33	42	16	2
South	5	23	38	29	5
Alabama	4	21	36	31	8
Arkansas	6	29	41	20	4
Florida	4	24	41	29	2
Mississippi	5	24	39	31	1
Oklahoma	6	31	37	17	9
South Carolina	4	21	34	36	5
Texas	6	18	39	35	2
Northeast, New York	9	33	35	17	6
Composite, 21 states	9	27	38	24	2

Table 44. Last Year of School Completed by Respondents

Region and state	Grade school	Some high school	High school graduate	Some college or technical school	College graduate	No reply
			percentage of respondents			
North Central	10	9	40	24	15	2
Illinois	8	11	44	20	16	1
Indiana	6	7	46	22	16	2
Iowa	8	5	48	21	14	4
Kansas	7	7	37	30	18	1
Michigan	11	8	38	23	14	6
Missouri	12	12	41	23	22	2
Nebraska	7	5	41	23	22	2
North Dakota	13	10	27	32	17	1
South Dakota	13	7	36	27	17	0
Wisconsin	15	11	39	24	9	2
West	3	6	26	32	31	2
Arizona	4	8	23	28	34	3
Idaho	5	9	30	29	23	4
Washington	3	6	26	33	31	1
South	7	11	30	21	26	5
Alabama	7	15	31	22	16	9
Arkansas	7	15	37	19	17	5
Florida	8	12	27	27	23	3
Mississippi	11	11	30	21	25	2
Oklahoma	4	5	26	19	36	10
South Carolina	7	10	23	23	33	4
Texas	7	11	31	21	28	2
Northeast, New York	6	9	37	16	27	5
Composite, 21 states	8	10	35	23	21	3

Table 45. Annual Gross Sales of Respondents

Region and state	Under $40,000	$40,000-99,999	$100,000-249,999	$250,000-499,999	$500,000 and over	No reply
			percentage of respondents			
North Central	43	27	21	5	1	3
Illinois	33	28	28	6	2	3
Indiana	49	23	16	6	2	4
Iowa[a]	28	30	28	11	3	
Kansas	44	28	20	4	1	3
Michigan	51	19	16	5	1	8
Missouri	66	20	7	1	0	6
Nebraska	26	30	35	7	2	0
North Dakota	29	36	29	4	1	1
South Dakota	27	37	26	7	2	1
Wisconsin	39	33	22	3	1	2
West	28	21	26	13	9	3
Arizona	28	17	16	14	20	5
Idaho	48	18	18	6	4	6
Washington	28	22	28	12	7	3
South	55	17	15	5	2	6
Alabama	14	65	10	7	3	1
Arkansas	59	15	13	4	2	7
Florida	74	10	8	3	1	4
Mississippi	61	12	12	6	4	5
Oklahoma	16	25	31	12	5	11
South Carolina	45	22	15	8	5	5
Texas	62	16	13	4	1	4
Northeast, New York	28	29	24	9	3	7
Composite, 20 states	47	23	19	5	2	4

[a] Data for Iowa based on 1987 survey.

Table 46. Family Income from Off-Farm Employment

Region and state	Under $10,000	$10,000-19,999	$20,000-40,000	Over $40,000	No reply
		percentage of respondents			
North Central	28	16	16	7	33
Illinois	28	16	17	6	33
Indiana	21	13	24	11	31
Iowa[a]	na	na	na	na	na
Kansas	28	18	15	6	33
Michigan	36	23	13	18	10
Missouri	21	22	20	8	29
Nebraska	30	13	11	5	41
North Dakota	37	16	7	2	38
South Dakota	45	13	11	2	29
Wisconsin	31	13	13	5	38
West	21	12	17	8	42
Arizona	16	12	16	10	46
Idaho	25	14	17	6	38
Washington	25	12	17	8	38
South	21	11	11	4	50
Alabama	17	12	25	12	34
Arkansas	20	17	18	8	37
Florida	16	17	25	15	27
Mississippi	23	15	21	9	32
Oklahoma	23	10	9	8	50
South Carolina	21	17	18	13	31
Texas	23	12	19	14	32
Northeast, New York	24	11	11	4	50
Composite, 20 states	25	14	17	9	35

[a] na: The question was not asked.

Table 47. Most Important Source of Cash Receipts in 1988

Region and state	Grain	Hogs, beef, or sheep	Dairy	Grain and livestock	Other	No reply
			percentage of respondents			
North Central	37	21	11	16	10	5
Illinois	60	14	6	11	8	1
Indiana	55	18	5	11	8	4
Iowa[a]	na	na	na	na	na	na
Kansas	40	17	2	32	7	2
Michigan[b]	39	21	6	11	12	11
Missouri	18	41	4	15	14	8
Nebraska	47	17	2	24	6	4
North Dakota[c]	50	13	4	24	8	1
South Dakota[d]	27	36	8	20	6	3
Wisconsin	9	12	57	6	13	3
West	21	20	10	4	43	2
Arizona	4	38	6	0	45	7
Idaho	18	24	9	10	31	8
Washington	24	16	11	5	42	2
South	13	44	4	11	11	17
Alabama[e]	5	47	1	11	24	14
Arkansas[f]	20	43	3	7	21	9
Florida	3	42	2	11	28	14
Mississippi[g]	15	39	5	13	23	6
Oklahoma	21	22	2	30	16	9
South Carolina	23	30	1	12	32	2
Texas	11	59	3	5	17	5
Northeast, New York	11	5	52	4	20	8
Composite, 20 states	26	30	9	13	16	6

[a] na: The question was not asked.

[b] 4% sheep reported combined with hogs and beef

[c] 2% orchards combined with "other"

[d] 5% hogs and 2% sheep reported combined in hogs, beef, or sheep column

[e] 1% sheep and 1% hogs combined with hogs, beef, or sheep

[f] 2% hogs and 1% sheep combined with hogs, beef, or sheep

[g] 1% sheep combined with hogs, beef, or sheep

Table 48. Respondents' Membership in Farm and Commodity Organizations

Region and state	American Agricultural Movement	Farm Bureau	Farmers Union	Grange	National Farmers Organization	Cattlemen's Association	Corn Growers Association
				percentage of respondents			
North Central	1	39	11	2	2	9	6
Illinois	1	73	2	1	1	5	14
Indiana	0	57	5	1	1	8	5
Iowa	1	66	2	1	2	20	18
Kansas	2	47	10	2	2	17	2
Michigan	1	49	2	2	3	3	3
Missouri	0	15	1	1	1	9	4
Nebraska	1	21	12	1	3	10	13
North Dakota	1	26	65	0	3	13	4
South Dakota	1	16	28	0	4	12	10
Wisconsin	1	30	18	0	3	5	3
West	1	27	24	1	1	20	0
Arizona	0	61	0	0	0	34	0
Idaho	1	30	1	6	1	17	1
Washington	1	20	1	30	1	17	0
South	2	49	5	1	0	27	1
Alabama	1	30	0	1	0	42	3
Arkansas	1	59	1	0	1	23	0
Florida	1	43	0	0	1	23	0
Mississippi	1	68	1	0	1	27	1
Oklahoma	2	41	20	1	0	37	2
South Carolina	1	72	0	2	0	29	1
Texas	2	49	3	1	0	22	2
Northeast, New York	0	47	1	8	2	0	0
Composite, 21 states	1	43	8	2	1	16	4

Table 48. (continued) Respondents' Membership in Farm and Commodity Organizations

Region and state	Cotton Growers	Sorghum Growers	Milk Producers	Pork Producers	Soybean Growers Association	Wheat Growers Association	Labor union	Other
			percentage of respondents					
North Central	0	1	9	7	9	6	5	4
Illinois	0	0	5	12	20	1	7	2
Indiana	0	0	4	9	7	0	9	6
Iowa	0	0	5	26	27	0	0	0
Kansas	0	3	3	2	4	14	3	4
Michigan	0	1	14	7	10	2	10	3
Missouri	0	1	3	5	8	1	6	2
Nebraska	0	3	3	10	7	9	2	3
North Dakota	0	9	4	2	4	26	3	7
South Dakota	0	0	6	9	12	13	1	7
Wisconsin	0	0	35	5	2	0	3	5
West	5	1	8	1	0	18	4	19
Arizona	30	5	6	1	0	0	0	5
Idaho	0	1	7	1	0	15	4	14
Washington	0	0	9	1	0	21	4	22
South	3	3	2	2	3	9	3	7
Alabama	2	0	1	1	2	0	8	4
Arkansas	2	1	2	1	8	2	3	4
Florida	1	0	2	2	3	1	2	9
Mississippi	8	0	3	3	12	1	3	6
Oklahoma	10	4	2	2	5	36	1	7
South Carolina	8	1	2	6	0	0	1	0
Texas	1	6	2	1	1	7	2	8
Northeast, New York	0	0	0	0	0	0	0	80[a]
Composite, 21 states	2	2	6	4	6	7	4	8

[a] For New York, other memberships included Agway, Eastern Artificial Insemination Association, RCMA, regional and local dairy cooperatives, and other marketing cooperatives.

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THE KANSAS RURAL CENTER, INC.
304 Pratt Street
WHITING, KANSAS 66552
Phone: (913) 873-3431

Testimony

February 16, 1990

My name is Fred Bentley. I represent the Kansas Rural Center, a research, education, and advocacy organization that sponsors projects on agricultural, natural resources, and rural community issues. In this brief testimony, I want to encourage the inclusion of provisions in the 1990 farm bill that will favor the development and adoption of low-input farming practices.

I want to emphasize that low-input is a low-cost, environmentally benign way of farming. It reduces petro-chemical inputs, improves conservation of farm resources, and protects the health of farmers and farm families. It is also a strategy to get new farmers started in agriculture.

A growing body of research evidence, most recently the National Academy of Sciences report, Alternative Agriculture, shows that low-cost farming systems are just as productive and profitable as high-cost, petro-chemical farming. In fact, much of this research is showing that crops yields and livestock productivity are actually increased and expenses significantly lowered on many farms that employ low-cost systems.

Federal farm commodity programs are a serious barrier to broader adoption of low-cost farming methods. Current commodity programs favor chemical intensive, continuous plantings of a small number of crops. Farmers who add soil building crops to their rotations lose program payments and base acreage for the commodities supported by the program. Acreage bases for individual crops constrain changes in the mix of program crops planted. Higher crop yields mean high program payments. This makes it profitable to use more chemicals than would be profitable without the farm program. Federal farm policy should stop penalizing farmers who want to lower production costs, raise their net farm income, and be good stewards of soil and water resources.

Rather than encouraging production of a few particular commodities, the federal farm program should reward stewardship and create economic opportunities for people in agriculture. Benefits should be more effectively targeted to moderate-sized farms. The acreage base and proven yield systems should be reformed to remove barriers to adoption of sustainable practices.

Farmers need greater flexibility in the cropping rotations they can use on their farms. This should include program support for soil building forage crops such as alfalfa, clover, and legume/grass mixtures. Small grain/grass rotations should also be given program support. These changes would encourage greater crop diversity, help farms make a transition to lower-cost farming, and create a more level playing field in agriculture. The Jontz bill in the House and the Fowler bill in the Senate address many of these needs.

Attached to my testimony are detailed recommendations for a more sustainable farm policy prepared by the Sustainable Ag Working Group, composed of two dozen midwestern organizations including the Kansas Rural Center. Analysis by the Working Group concludes that the budget impact of the Jontz and Fowler bills is neutral. A copy of this analysis is attached to my testimony.

The Kansas Rural Center is currently sponsoring a USDA funded LISA on-farm research and demonstration project. We are working with a network of 150 farmers across the state to develop information and knowledge on low-cost farming systems. We recently announced a small cost-share program to help farmers finance on-farm research projects. Over 50 proposals requesting assistance were received but we can fund only 20 projects. Clearly, the level of interest in low-cost farming practices among Kansas farmers is great and growing all the time. However, readily available information and federal farm policy support to help farmers address their desires to make changes in their farming operations is largely lacking.

In closing, federal farm policy has favored cheap food over safe food, exploitation of resources over conservation of resources, large farms over small and medium-sized farms, and a continuing decline in farming opportunities and the economic health of rural communities. We need to reverse the trends that are driving farmers from the land, closing small town banks and businesses, and shifting ever-increasing tax burdens on fewer and fewer people. Federal farm policy is an appropriate avenue to begin addressing the inequities that farmers and rural people face. I urge you to support a farm policy that will encourage lower-cost farming practices. Let's help farmers raise their net farm income so they can give greater support to the communities around them.

Thank you.

(Attachments follow:)

SUSTAINABLE AGRICULTURE WORKING GROUP

February, 1990

COMMODITY PROGRAM POLICY OPTIONS

GOAL: To design federal commodity programs such that they (1) undergird the basic incomes of families who work on their farms and depend on them for their livelihoods, (2) reward and encourage environmental stewardship, and (3) increase the number of economic opportunities for those who wish to own and operate family-sized farms.

Background

Current commodity programs support economic concentration in agriculture by rewarding the biggest farms the most. They favor farmers who specialize in chemical-intensive production of a small number of program commodities, such as corn, wheat and cotton. This has encouraged monoculture production of corn in the Midwest, wheat on the Plains and cotton in the South, and resulted in increased soil erosion and groundwater contamination.

These biases in commodity programs have several roots:

- Farm program benefits rise as farm size increases, acting as an incentive for expansion. To effectively increase economic opportunities, program benefits should support only the volume of production sufficient to support a family but provide no subsidies for growth beyond that size. The $50,000 payment limitation has helped, but its effectiveness has been reduced by subdivision of farms and declining deficiency payments.

- Current commodity programs provide the greatest reward for production of a few soil-depleting commodities, such as corn, wheat and cotton. Farmers who add soil-building crops to their rotations lose program payments and "base" acreage for the commodities supported by the program.

- Acreage bases for individual crops constrain changes in the mix of program crops planted. For example, a continuous corn producer could not shift to a corn-wheat rotation without violating program rules.

- The higher the crop yield on a farm, the higher the farm program payment. This "payment yield" system makes it profitable to use more chemicals than would be profitable without the farm program. Although payment yields are currently frozen, recent legislation allows farmers to register actual yields in anticipation of payment yields being unfrozen.

- Current commodity programs seek to control supply by requiring farmers to take land out of production, as it encourages them to maximize production on remaining acres through its base and payment yield provisions. The net impact is that land is replaced by chemical inputs.

Alternatives to the current commodity programs

To enhance economic opportunity and support environmental stewardship, farm programs must be conceptually realigned. **Rather than encouraging production of a few particular commodities, the federal farm program should reward stewardship and create economic opportunity for people in agriculture. Benefits should be more effectively targeted to moderate-sized farms, and the acreage base and proven yield systems should be reformed to remove barriers to adoption of sustainable practices.** The SAWG has prepared specific policy options consistent with these goals. These options do not represent a unified commodity program. Some presume continuation of certain aspects of the current program, while others call for changes in the current program.

TARGETING FARM PROGRAM BENEFITS:

1. **To more effectively and consistently direct farm program benefits to family-sized farms, a two-tiered target price system should be established with a limit placed on the volume of production supported at the higher rate.** Deficiency payments--the amount paid by USDA to producers to compensate for low market prices--should be based on no more than $80,000 to $100,000 worth of program commodities. In effect, that would mean that under current price levels, government payments at the full rate would be limited to 30,000 to 36,000 bushels of corn or 20,000 to 25,000 bushels of wheat. **Eligibility for the higher target price should be phased out as the non-farm income of an eligible producer exceeds the national median income** or as the total income (farm and nonfarm) exceeds twice the national median income. Larger producers and farmers exceeding the income limits would receive payments at a lower level. In effect, this lower tier would reimburse farmers for participating in supply control and support for moderate-sized/moderate-income farmers who depend on the farm for their livelihoods. This two-tiered system should be an addition to the existing $50,000 payment limitation, rather than a replacement for it.

2. The "person" definition for application of the payment limitation and the two-tier price system proposed above should treat each household as one person, irrespective of the form of business operation. **No household should be allowed to increase its total eligibility by subdividing operations.** The eligibility of a combined operation should total that of the individual producers involved, factored by their share of risk-taking.

ENCOURAGING TRANSITION AND REWARDING STEWARDSHIP:

1. **A low-input sustainable agriculture program should be implemented to reward farmers who use sustainable practices and to encourage others to move in that direction. Legislation introduced last year by Sen. Wyche Fowler (D-GA) and Rep. Jim Jontz (D-IN) would create such a program.** Farmers, with the help of their county SCS and Extension Service offices, would develop five-year, farm specific plans which by the end of the period would limit chemical use to low levels and hold soil erosion to rates that do not threaten long term soil productivity. Under the program, participants' payment yields could not be adjusted downward during the five-year transition period. If implementation of the low-input plan resulted in lower total production, the farmer's acreage set-aside requirement would be reduced. Deficiency payments would be made on the base acres devoted to resource-conserving crops--such as small grain/legume mixtures--just as if they had been planted to the program crops. For farmers with low bases due to historic use of low-input sustainable rotations, the Jontz version would increase crop bases so that the farmer's deficiency payments would be based

on the county average crop base-to-farmland ratio. The Fowler Bill would base participants' deficiency payments on no less than 1989 target prices for five years. In addition, farmers in these programs should be allowed to trade base in one program crop for that of another, on up to 20 percent of their cropland each year.

2. **Some form of flat payment such as cost share should be made available for farmers who wish to establish soil-building forage crops such as alfalfa, clover and legume grass mixtures.** Currently producers in some states receive federal cost share through the Agricultural Conservation Program (ACP) for planting long term stands of alfalfa and native grasses. Short term stands which are part of soil-building rotations should also receive federal cost share assistance. A concurrent increase in ACP funds would be necessary.

3. **Payments should be redirected so that sustainable farmers with rotations which include soil-building crops receive, at a minimum, payments equal to those received by continuous corn and wheat producers.** A means of moving toward that goal while reducing program costs, would be to limit the percent of planted acres which can generate deficiency payments for program crops. For example, payments on program crops might be limited to 66 to 80 percent of planted acres, depending on budget and supply management goals. The cap would be the same for everyone (assuming land suitability), rather than based on historic practices. The money saved by this provision could be used to protect farmers who have already sacrificed payments by rotating with nonprogram crops, and it could also free up funds for commodity program provisions which reward stewardship.

4. **Target price levels and coverage should be adjusted for soil-building rotation crops.** The target price for oats, an excellent crop in sustainable rotations, should be raised. Crops such as triticale and rye should also receive target price coverage.

REFORMING THE BASE ACREAGE SYSTEM:

1. **Federal farm programs should be switched back to the normal crop acreage approach (NCA). Under NCA, each farm is granted one total historic base for all program crops,** which allows greater cropping flexibility. Land planted to alfalfa, clover, rye, triticale and other soil-conserving crops should be included in the NCA base. However, the flexibility provided by the NCA should be limited to cropping shifts that do not have adverse environmental impacts.

2. **Land should be included in the normal crop acreage (NCA) base only if it can be cropped without excessive erosion.** No commodity program payments should be made on crops planted to land eroding beyond the rate at which the long term productivity of the land can be sustained; referred to as the tolerance level or "T".

3. **Producers should have the option of putting some portion of their planted acres in resource-conserving crops and being paid as if they had planted one of the higher paying program crops grown in their area.** For the purposes of this recommendation, resource conserving crops should include rotated nitrogen-fixing forage legumes (alfalfas, clovers, etc.), including those interplanted with grass and small grains. In the event that this provision is adopted but individual crop bases are retained, bases should be increased for producers who have small bases due to historic use of crop rotations, for the purpose of drawing payments on resource-conserving crops only. However, in no case should bases be raised beyond the extent of cropping to which the land is suited. A similar

provision is included in the low-input sustainable programs introduced by Senator Fowler and Representative Jontz, discussed earlier in this paper.

FURTHER REALIGNING FARM PROGRAM CONCEPTS:

1. **If acreage set-asides are retained, a program of multi-year set-aside contracts for a minimum period of three years should be established** to further bring production under control in an environmentally responsible manner. At least 20 percent of the land taken out of production each year should be included in such multi-year contracts. Any highly erodible land included in multi-year contracts should be established in permanent cover. All other lands included in any set-aside or diversion programs, including annual set-asides, should be required to be rotated and sown in a soil-building legume crop to provide full year protection, with up to 20 percent reserved for wildlife habitat. Cost-share funds should be provided to compensate farmers for costs of establishing vegetative cover.

2. **Congress should explore the feasibility of basing supply control provisions on volume of production rather than acres planted.** This should be a production limit and not a grain marketing limit. The limit should apply to commodities fed to livestock and otherwise used on the farm, as well as that sold. Volume limits should be based on total production of all crops and thereby recognize the supply control contribution of extensive rotations. This would require creation of a standardized system which could provide a like measure of all commodities. For feed stuffs, for example, such a system might be based on total digestible nutrients produced. Such a system would allow farmers to meet supply control requirements by reducing input use or going to less intensive rotations, instead of idling land.

3. **The established yield system for determining farm program payments should be replaced with a system based on land productivity.** One option would be for USDA to develop a formula including rainfall, irrigation, climate and soil types (from SCS), etc. in order to establish the appropriate yield for each farm, based on a sustainable system. An alternative would [illegible] modified county average yields. Average yields would be calculated for major land classifications within a county. Based on existing SCS soil maps, each farm would be classified as to its productivity.

BUDGET IMPACT OF FOWLER/JONTZ FARM PROGRAM PROPOSALS

By the spring of 1990, several budget and economic impact analyses of the type of farm program changes proposed in Title I of S 970 and Title II of HR 3552 will have been undertaken. These will be done by the Congressional Budget Office, Congressional Research Service, USDA's Economic Research Service, FAPRI, private firms, etc. In the meantime, the following case can be made in general terms about the budget impact.

1. At first glance, the program appears to be budget neutral. Base acreage is maintained if a resource-conserving crop is grown. Deficiency payments are made on base acres as if the program crop were being grown. Acreage reduction requirements are lowered to reflect total output. Thus, there are no additional direct costs compared to 100% of the base (less acreage reduction) being in the program crop.

2. However, the cost of the farm programs will be reduced to the extent that participation in the special program reduces the supply and increases the price of the program crop (i.e., higher prices result in lower deficiency payments). Additional savings would be realized since less total program crop will be put under price support loans, increasing the ratio of loan receipts to loan outlays.

3. On the other hand, the proposals also include offsetting costs. In the Fowler bill, participants in the special program would have higher target prices, and hence bigger deficiency payments. In the Jontz bill, participants who have a low percentage of base acres to total cropland (compared to county average) due to a historic pattern of resource-conserving crop rotations and other conservation measures, would receive an adjustment solely for the purposes of this program (i.e., it would not remain with the farm and permanently increase base).

4. The bottomline, then, is whether #2 offsets #3, and to what degree. That, in turn, depends on the level of participation, as well as the overall supply and price situation. It is fair to summarize at this point that the program should be in the ballpark of budget neutrality, i.e., it may cost a little more or a little less than the baseline, but not widely so. It is, on the other hand, unfair to characterize the program as a costly new incentive program. The aim of the program is to create a voluntary farm program option that reduces current penalties to farmers using sustainable farming practices.

One final note - if the target price differential and the base adjustment provision were to be considered on their own merits as part of the target price reform and base/yield reform sections of the farm bill, respectively, then the proposed flexibility option would be a clear net revenue gainer.

TESTIMONY
BEFORE THE
U. S. HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON WHEAT, SOYBEANS AND FEED GRAINS

AS PRESENTED BY

KANSAS INDEPENDENT BANKERS ASSOCIATION

MICHAEL D. "MIKE" FAHRBACH
HAVEN STATE BANK, HAVEN, KANSAS

AND

ROGER D. THORNTON
1ST NATIONAL BANK, ANTHONY, KANSAS

Thank you for the opportunity to express our considerations for the 1990 Farm Bill. Being located in south central Kansas, the agricultural sector here deals primarily with wheat, feed grains, cattle sheep, and some dairy operations. Information presented on the 1990 Farm Bill includes rather general statements proposed by the current administration and proposals introduced by the House Agricultural Committee Leaders. I wish to comment on several of those topics mentioned.

Food Security Act of 1985 - As stated, the Food Security Act of 1985 has indeed increased international competitiveness, provided conservation controls desperately needed, and has begun to direct American Farm Policy to more of a market oriented agriculture. Basic short falls of the program have not necessarily been the costs to the U.S. Government through the program outlays to farmers and ranchers, but the increased administrative and training costs at the local level required to implement the programs. I realize that this administrative requirement, in all likelihood, will not decrease; therefore, it makes common sense that whatever the 1990 Farm Program finally contains, it should most definitely be extensions of the Food Security Act of 1985 to minimize retraining, reprogramming, and the reeducation of the farmer and ranchers themselves.

Normal Crop Acreage (NCA): The flexibility of a NCA is desperately needed in American Agriculture. The administration's proposal is to allow farmers to plant different crops based on market and management decisions, rather than maximum program allotments based on previous history, is one of the more positive proposals in the new Farm Bill. The definition of crop specific ARP programs should have established minimum requirements written into the 1990 Farm Bill to insure that the direction is definitely towards a market oriented agriculture. With established minimums that the Secretary may not exceed, the gesture towards a market oriented agriculture is nothing more than that. Let the farmers and the markets determine what should be planted with minimum limitations.

Grain Reserve and Stocks: With regard to the Farmer Owned Reserves (FOR) the administration proposes to shift entry, exit, and administrative decisions to the farmer. To do this, the farmer must have great latitude in making those decisions and not be forced by government trigger prices to go ahead and release the stored crops. The effect of USDA Release prices on the FOR have done more to inhibit the market and place a lid on prices than to insure stocks. Again, allow the farmer and the market to determine why or when to sell.

Loan Rates For Program Crops and Soybeans: Loan rates determined by the market price are adequate in providing those farmers and ranchers who utilize the loan program as a management tool to operate effectively. They are acceptable for governmental costs and financial management. I agree with the proposals presented in establishing loan rates at 75

- 85% of the previous market prices. Extensions to the loans should be determined by the farmer and the market, and not the Secretary. Does the United States truly want a market oriented farm program?

Crop Disaster Assistance Programs: Federal Crop Insurance participation rates have been low due to the regulations and coverage provided. Prior to 1989, Federal Crop, was simply a cost to the farmer with very little opportunity insure losses on anything less than a 100% disaster to his or her total acreage. If the move is to drop Federal Crop altogether, and replace it with a standard disaster assistance program, modifications need to be incorporated into the current proposal;

1. County yield losses of more than 65% should be replaced with individual yield losses of more than 65%. Those individual losses should be based on previous 3-5 year actual production history. County committes should be given authority to determine if individuals are farming for the disaster of production.
2. Gross annual income of $2,000.00 should be replaced with a dollar figure based on Schedule F Tax Return farm income. Utilizing gross annual income without allowing the deduction of cost of cattle has led to gross misrepresentation of income. For example, some feedlots withhold feed bills from the livestock sales receipts thus reducing the reported gross income for those cattle sales as compared to gross sales without cost reduction.

These procedures make it very difficult to determine actual gross income on a standardized basis.

3. To eliminate participation with FmHA Emergency Loans or CCC emergency livestock feed programs is definitely a mistake. It is obvious that administration intends to drastically reduce the benefits and uses of the FmHA programs. To do this directly contradicts the stated policy of promoting the family farm. Are we promoting the family farm or promoting the HOBBY farm. In Kansas, I think the later. Previous regulations concerning the emergency feed program led to little or no participation in south central Kansas. Since emergency feed programs discounted for haying and grazing, a normally used practice when approved, few operators could benefit from the feed program.

Conservation Reserve Programs: The CRP program contributed to this area of the nation as much as any part of the Food Security Act of 1985. Extension of the CRP program for wetlands is of great value. To insure continued stability in agriculture it would be preferable no to limit these extensions to wetlands but to extend the CRP program on wetlands and highly erodible soils not currently enrolled to achieve at least 1985 minimum goals. Although not in debate at this time, USDA and congress should begin to determine new incentives for retention of CRP ground in grass when contracts become due. I belive the first contracts will end in 1996. Present regulations may not be the answer to retain these highly erodible, non-productive acres in grass. Incentives, rather than, regulations are the answer. Continued assignments of CRP for lenders should be allowed to collaterize carry over debt and participation costs. Steps have been taker in this direction, but could be enhanced to insure reliability of funds for debt reduction.

Multi-Year Set Aside: Any effort to allow the establishment of perennials on ACR ground is good for farmers, bankers and environmentalists. Limiting this program to 5% of CAB inhibits too much of the program benefits and possible participation. Haying and grazing should definitely be allowed as stated in the proposals. Any effort to allow haying and grazing has been positive for area farmers, ranchers and lenders.

Farmers Home Administration Program: Any effort to reduce FmHA's involvement in agriculture will have a negative effect on 10-30% of lenders borrowers. Tougher credit standards take exactly that approach. Although, I agree with the financial statement documentation necessary to service FmHA loans, many times the regulations provide FmHA with the capabilities of not adhering to agreed payouts when necessary. The guaranteed loan programs are just beginning to become widely accepted and provide lenders and borrowers with staying power which otherwise would usually result in immediate foreclosure. The elimination of reduction of FmHA activities would drastically reduce the intended administration direction for promotion of the family farm.

In summary, the Food Security Act of 1985 has been an excellent program. Any extension of the basic concepts will aid agriculture for the next 5 years. I give strong support to the following items;

1. Normal Crop Acreage allowing producer determined planting and marketing decisions.
2. Multi-Year Set Aside Programs allowing the establishment of perennial and annual crops on acreage greater than 5% of the crop acreage base. Including haying and grazing incentives to increase participation.
3. Extension of the Conservation Reserve Program not only on wetland acreage, but traditional erodible soils so as to allow achievement of CRP goals.
4. Continued support of FmHA direct and guarantee loan programs for stabilization of the family farm unit.
5. Continued support of the Export Enhancement program with less restrictions on Most Favored Nation status to promote the market oriented agriculture and administration proposes.
6. Disaster insurance, Farm specific, not county specific to insure bottom line projections and repayment capabilities. 7. Continued use of Advance Deficiency payments at the 40-50% level to aid cash flow and producer participation in government programs.

Statement of

Sam Eberly, Member of the Board, The Farm Credit Council

before the

Subcommittee on Wheat, Soybeans and Feed Grains

House Committee on Agriculture

February 16, 1990

Mr. Chairman, and Members of the Committee.

My name is Sam Eberly. I serve on the Board of the Farm Credit Bank of Wichita and as a Director of the Wichita District Farm Credit Council, a trade association representing the member-owned Federal Land Bank Associations and Production Credit Associations which provide service to farmers and ranchers and the Farm Credit Bank of Wichita, the financial intermediary which serves these associations. We also represent the Wichita region of CoBank - National Bank for Cooperatives which has headquarters in Denver and lending offices in Wichita and other locations around the country. During 1988 and 1989, I also served as Chairman of the Board of Directors of The Farm Credit Council, the national trade association of the Farm Credit System. I continue as a member of that Board.

Mr. Chairman, I currently am engaged in agriculture and borrow from the Federal Land Bank System. I also have served as a President of a Federal Land Bank Association.

My background has provided me with a unique perspective on the importance of a strong agricultural economy. First and foremost, I am a borrower engaged in farming. Secondly, as a board member of a Farm Credit Bank and The

Farm Credit Council, I am concerned that the System have the ability to adequately finance diverse aspects of the agricultural industry and rural America. And thirdly, as a former President of a Federal Land Bank Association, I know first hand how important it is for loan officers in the System to have adequate tools with which to serve agriculture and the rural communities in which they live and work.

Mr. Chairman, we commend you for your strong support of agriculture and rural economic development. This hearing today is another example of your effective leadership in Congress to those programs which benefit farmers and ranchers and the businesses and organizations which provide vital services to them.

The 1990 farm bill will be very important for the future of farm commodity programs and the agricultural economy. We will defer to our friends in the farm and commodity organizations in regard to their specific recommendations for the future of these programs. However, we want to express our strong support in general for agricultural programs which encourage long-term profitability.

Attached is a resolution of The Farm Credit Council which expresses our view of the importance of a profitable farm economy.

We agree with you that the future of rural people and rural businesses is important and worthy of concern. Not only do we need increased profitability in agriculture itself, we need a comprehensive approach to dealing with the challenges facing people in rural states.

Today, we would like to share our thoughts about the critical elements of any new Federal rural development strategy from the System's perspective, and why the Farm Credit System should be considered an important link in any new Congressional rural development initiative.

As a rural businessman and a director of a district bank, it is very obvious to me what the Farm Credit System has meant to rural America. It has been the farmer-owned associations and banks of the Farm Credit System which have, in large measure, served as the dependable source of credit to rural areas throughout its seventy-three year history. This broad purpose and public-private partnership has been recognized and reaffirmed by Congress in every major piece of Farm Credit legislation enacted since the System's inception.

Mr. Chairman, as you and your colleagues on this Subcommittee know, much has changed in rural America since those early days. Within the last 35 years, the farm labor force has dropped by 65 percent. Farmers today account for less than 3 percent of the population, less than one-fifth the level in the early 1960s. Perhaps of greatest relevance to this hearing is the fact that for at least the last decade, upwards of 30 percent of total farm income came from off-farm sources. The vitality of the rural business community is essential to the vitality of the agricultural community.

The Farm Credit Council's membership has unanimously adopted a policy statement on rural development. This resolution reads in part:

> "The availability of competitively priced credit in rural areas is essential for economic growth to take place. System institutions are well situated to serve the broader credit needs of rural areas including the financing of rural infrastructure. Further, a more diversified loan portfolio would strengthen System institutions, permitting them to better serve their traditional clientele.
>
> "Accordingly, The Farm Credit Council will support legislation to

preserve and enhance the role of System institutions in financing credit-worthy rural enterprises, both community-based and private, while maintaining the existing farmer and farmer-cooperative ownership of the Farm Credit System."

Based on this resolution and our historical commitment to the financing of rural America, we would like to offer these broad suggestions for consideration as you move forward with legislation:

- Rural communities are struggling to improve or install water and waste disposal systems to meet Federal health and safety standards. These local infrastructure projects require that there be a lender capable of offering fixed-rate, long-term loans. The Banks for Cooperatives, for example, have an outstanding record in financing certain rural businesses and essential rural services. We support expansion of the authorities for the BCs in these areas.

- Rural communities are seeking alternative financing sources to current government Federal loans or grants. System institutions are very interested and willing to finance credit-worthy community infrastructure projects which may never be funded by FmHA, because of the backlog of qualified applications. Under the limited authority in the 1986 Budget Reconciliation Act, System institutions are authorized to refinance certain Federal community facility loans. Many of the communities involved readily admit that they would borrow from System lenders if they could. This is not in any way a replacement for FmHA's community development loan programs which are targeted to provide subsidized credit to rural communities.

- The demographics of rural communities are changing very rapidly. Many towns larger than 20,000 are considered rural today. Under current law, Federal Land Bank Associations can handle financing for rural residences of borrowers in communities of up to 2,500 people. This is much too narrow and inconsistent with other Federal definitions of rural areas. The System could expand its service to rural America with the authority to finance rural residences in towns of up to 20,000 in population without requiring the sale of System rural housing loans to Farmer Mac. Mr. Chairman, just as you and your colleagues determined that there was a need for "Farmer Mac" to increase competition in what have been our traditional markets, there is a need to ensure that the Farm Credit System is an equal player in financing rural residences.

These are but three of the vital areas where there is a clear need which the System can meet.

We would also suggest that there are certain fundamental principles which should be applied to any Federal rural policy. These include:

- leadership for any development project from within the local community;
- local commitment to any project proposed;
- outside expertise to help identify local resources which can help channel and build upon local strengths;
- community ownership, direction and a partnership in funding; and
- financing of any rural enterprise on a sound business basis to help

ensure the long-term survival of the enterprise financed.

The Farm Credit System can support and enhance the sound economic development of rural America. The following are some of the strengths which the System brings to this process:

- A long-established track record in meeting the highly diverse, complex financial needs of farm, cooperative and utility lending. System institutions are the only lenders to exclusively serve rural America. Today, the System has upwards of 600,000 loans outstanding to farmers and to several thousand farmer cooperatives.

- Experience in financing rural home loans. Since first given the authority to finance rural residences in 1971, local Farm Credit institutions have made 43,000 of these loans.

- Skilled loan officers and appraisers who understand the factors that affect the success of rural businesses.

- An established delivery system which serves all regions of the country and an established Bank for Cooperatives structure which serves eligible cooperative borrowers throughout the country. This total delivery system is second to none in rural America. It is in place with credit professionals and experts who can provide technical assistance to meet an even larger demand in rural America.

- Procedures in place to minimize risk, based upon cash flow lending, proper collateral and loan documentation procedures.

Mr. Chairman, while we examine ways in which the Farm Credit System can more effectively assist and stimulate rural economic development, the System will not jeopardize any of its existing services to current customers. Yes, we believe that lending to a broader base of customers will help diversify the System's loan portfolio and thereby strengthen each institution's ability to withstand the inherent cyclical economic programs of agriculture. To the extent that the Farm Credit System can help strengthen the rural economy in general, agriculture will ultimately reap the rewards.

Congress should not invent a new bureaucracy to serve rural America. Like a number of other Federal programs that were created in the earlier part of this century, the Farm Credit System can help meet the objectives which Congress intends. But while agriculture and commercial banking have changed dramatically over the past 35 years, the Farm Credit System's lending authorities have not. The System's principal concerns are that efforts be directed to credit-worthy activities, be related to the System's expertise, and be of benefit to the System's owners.

Mr. Chairman, no other institution has a greater stake or is better positioned to assist in the carrying out of a new policy for the development of rural America. We stand ready to help.

Thank you for the opportunity to testify here today.

(Attachment follows:)

ISSUE 11

LONG-TERM PROFITABILITY IN AGRICULTURE

The American farmer continually faces serious challenges to a successful farming operation. The weather, international markets, land values, interest rates and a whole host of other factors impact the chance for success. Recent years have seen low commodity prices, natural disasters, high real interest rates, and sharply declining asset values, all combining to leave American agriculture in a fragile state. Many farm borrowers continue to encounter severe debt repayment problems, leaving many farm lenders experiencing extreme financial stress.

For there to be a fully recovery in the agricultural sector, there must be profitability for farmers. As the representative of those farmer-owned organizations which hold a third of the nation's farm debt, it is incumbent upon The Farm Credit Council and its member organizations to aggressively communicate to the Congress and the American public the message that "profitability must be restored to the farming sector; it is vital to the economic and social health of America." (1st Adopted 1/22/85, Reaffirmed 1/21/86, Revised 1/24/89)

UNITED STATE HOUSE OF REPRESENTATIVES
AGRICULTURE SUBCOMMITTEE ON WHEAT, SOYBEANS AND FEED GRAINS
WICHITA, KANSAS
FEBRUARY 16, 1990

The Kansas Association of Conservation Districts (KACD) thanks the committee for the opportunity to testify on the program needs for the 1990 Farm Bill.

I am Richard G. Jones, Executive Director of the Kansas Association of Conservation Districts.

The Association represents the 105 county conservation districts in Kansas. Conservation Districts provide assistance to landowners and operators for the protection and improvement of their soil, water, plant, and animal resources. Conservation Districts are governed by a five member board of supervisors made up of local landowners who serve without compensation.

The conservation districts passed at the KACD annual meeting this past November a resolution requesting that the Conservation Reserve Program regulations be changed to allow participants to retain crop acreage bases without having to plow out CRP land at the expiration of the contract. Present USDA regulations require plow out of the permanent cover to maintain crop acreage bases or the participant could suffer a 20 percent annual loss of crop acreage base. Also the Association would like to see acreage allotments on a total farm or cropland basis instead of specific crop acre allotments. This would allow farmers to plan crop rotations, including legumes, that would provide more erosion protection through better management of crop residues and also provide better control of insects, weeds and crop diseases.

Strong consideration should be given to some sort of multi-year set aside program where the farmers could put at least 5 percent of their land into permanent vegetation and count it as their set aside. The farmer should also be the one to choose which acres should be set aside in this program. That way more of our more fragile and more highly erodible lands could be put under vegetative cover.

KACD would urge the continuation of the Conservation Reserve Program, at least until we have reached the 45 to 50 million acre goal in the original plan. Emphasis should be put on tree planting where the soils and climate will support trees. This does not mean we should not plant other permanent vegetation on those areas that are not adaptable to trees. We should continue to use native grasses in areas where they best fit, such as Western Kansas.

We urge the extension of the Great Plains Conservation Program. The program should be extended for another 10 years and the funding increased by $300,000,00. This should be a special line item and not specifically be shown as one of the conservation programs listed in the 1990 Farm Bill.

We would encourage the continuation of the Conservation Compliance, Sodbuster, and Swampbuster provisions of the 1985 Farm Bill. These conservation provisions have resulted in more conservation being put on the highly erodible lands. This will save the productive capacity of these lands for future generations. Without the conservation on these lands, they would have been lost to future productive use. The American farmer was the first environmentalist and well understands the need to protect our environment and including the nations wildlife.

The American farmer should not be expected to carry the burden of cost of the conservation provisions of the new farm bill. When the farmer must absorb the total cost for conservation on highly erodible lands, the immediate returns do not reflect the cost incurred in the short term. The farmer is buying insurance that these lands will remain productive for our future generations. They should not be expected to pay the total cost of this insurance. In the 1990 farm bill there should be associated funding for cost sharing on conservation measures applied under conservation compliance and for wetland preservation. This must also include funds for technical assistance, the farmers of America are known to be self sufficient, but they cannot be experts in all fields and must have technical assistance available to assure that the work we do in the conservation area is done properly and will be easily maintained for our future generations.

The Kansas Association of Conservation Districts again thanks the Committee for the opportunity to give you our views on the program need for the 1990 Farm Bill.

STATEMENT OF MIKE VAN CAMPEN

TURON MILL AND ELEVATOR, TURON, KANSAS

ON BEHALF OF THE
KANSAS FERTILIZER AND CHEMICAL ASSOCIATION
AND THE
KANSAS GRAIN AND FEED ASSOCIATION

Mr. Chairman, I am Mike Van Campen, owner and president of the Turon Mill and Elevator, Inc., Turon, Kansas. I am the current President of the Kansas Fertilizer and Chemical Association (KFCA) and am appearing today on behalf of both KFCA and the Kansas Grain and Feed Association (KGFA). We appreciate the opportunity to speak today on issues relevant to the 1990 Farm Bill.

Our statements will focus on environmental isues, but I'd like to first comment on other provisions of the farm bill. We support the concept of providing farmers with greater planting flexibility. We recognize the difficulties of designing an equitable program, but greater planting flexibility will allow producers to better respond to market signals and will also provide environmental benefits by facilitating crop rotations and planting of soil conserving crops.

We also support the inclusion of an actuarially sound crop insurance program. Producers will benefit from a consistent, dependable program, versus emergency efforts to seek disaster assistance. We also believe that the program needs to be reviewed all the way from Washington administration to the local insurance agents to simplify and clarify the administration of the program.

Turning to environmental provisions, we support expansion of the Conservation Reserve Program for environmentally sensitive areas. This environmental reserve should be solely for the purpose of idling small acreages of most environmental sensitivity. Speaking from the area I'm most familiar with, which is South Central Kansas, I would estimate that fully two-thirds of the acreage going into the current program aren't conservation reserve acres; they are conservation retirement acres. I don't believe that was the intent of the program. This situation is causing economic havoc in rural communities, not only for crop input suppliers, but other businesses as well, including agricultural lenders.

Other provisions relating to environmental or food safety issues must be based on solid science, or ath the least, we will not solve the "problems". We may also cripple the productivity and profitability of American agriculture.

For instance, incentives to reduce inputs sound to some like a simple solution to environmental ills. However, reduced inputs do not necessarily mean an improved environment. In fact, quite the opposite is often the case. Lowered fertility means less productivity, less crop residue, greater erosion and runoff. Research data shows that, in comparing nitrogen sources of commercial nitrogen, legumes and manures, that the greatest loss of nitrogen to tiles and groundwater comes from manures, followed by legumes and the least amount from commercial fertilizer. Only 18% of nitrogen applied as manure is usable as nutrient for uptake by the plant; the rest is available for runoff or leaching to groundwater. Likewise, crop protection chemicals allow for conservation tillage, more crop residue, less runoff and less leaching to groundwater.

Simply reducing inputs would maintain the inequities and penalize good managers who are already using systems which protect the environment. And there are many such good managers. Producers need to be encouraged to use best management practices and adopt environmentally-sound systems, not to simply reduce inputs. Reducing inputs, on many farms, would cause environmental damage rather than protection.

The goal should not be to simply reduce chemicals from current levels, but to have management systems which protect the environment. Many producers are using high-yielding management systems, with high nutrient and chemical use, and protecting the environment, while there are producers using little or no purchased inputs, yet causing environmental damage with loss of nutrients and topsoil to ground and surface waters.

As management systems are not equal, neither are inputs. It makes no sense to reduce inputs which are benign in the environment or better for the environment than the alternative. Environmental protection, high productivity and profitability are compatible. Good management systems, the only acceptable ones for the 1990's, achieve all three.

Research and analysis are needed to best address environmental issues. Often, the data is available, but needs to be coordinated or analyzed. Research often gives us unexpected answers which we need to solve problems. For example, the Kansas Farmstead Well Survey identified 28% of the wells tested as having levels of nitrates above the EPA standard of 10 parts per million. Many people assumed that commercial fertilizer was a significant cause of that nitrate contamination. However, reserach analysis completed by Kansas State University last year showed that the wells at risk were those over 70 years of age, due to their proximity to septic tanks and barnyards. In fact, the analysis showed no correlation between nitrate contamination and fertilizer use. The closer to cropland the well, the lower the nitrate levels, generally speaking.

Also, environmental protection technology, through research, is increasing. Science is solving the problems. Better, more environmentally benign crop protection products; better placement and timing of fertilizer applications for maximum use by the plant and minimum loss to groundwater; and better technology for controlling product at potential point sources have made significant improvements in environmental protection capabilities. Safe inputs should be the goal, not necessarily lower inputs.

Research has shown that when pesticides are found in groundwater, the source is usually a point source. In response, Kansas fertilizer and chemical retailers requested legislation to require bulk fertilizer containment. Pesticide containment regulations are already in place. Our members are preparing for compliance with the new regulations, and several such as myself have already completed construction of state-of-the-art containment facilities.

We must accurately identify solutions which will truly benefit the environment and are also economically feasible and practical. Th ose solutions exist and they are being utilized by producers and agribusinessmen. We urge you to guard against hasty solutions, based on emotion rather than science, which will benefit neither the environment or agriculture.

Thank you for this opportunity, Mr. Chairman. I will be glad to respond to any questions.

# # # # # #

Presentation Outline

Biography: Carrie Lindsey, age 24.
Single mother to Nathan, age 4.
Student- Wichita State University, Junior.
Previously food stamp recipient.

- Remove Mandatory Household Definition Rule

  As a general rule people are poor because they don't have any money. In America the middle class and business' often pool their resources so they can have more while giving up fewer dollars. The household definition rule prohibits the poor from doing the same.

  People cannot share shelter with their relatives without risking loss of their food stamps. People are forced to choose between eating or having shelter.

- Allow Low-Income Students to Receive Food Stamps Without Working

  Currently the student in post high school training must work at least 20 hours a week to continue to receive food stamps.

  As students from low-income backgrounds, they are at risk of not finishing their training or education. To ask them to work 20 hours a week to be able to eat isn't practical. It forces them to spend less time on their education which may lead to incompletion, putting them at risk of becoming a permanent part of the welfare system. That means spending food stamp dollars for a greater length of time.

- Food Stamp "Credit Card"

  Don't change to credit card system. The stigma related to food stamps will return when people begin to recognize the card. The cost of impmentation may out way the amount of money saved in reducing fraud or lost stamps. With the budget crunch it does not seem like a wise idea.

- WIC Program

  It is the best program avaibable any dollars added to it would be a could investment. I can survive without food stamps because I recieve WIC.

- Summary

  Eating is GOOD. Make it a national policy topromote eating. An "It's okay to work at low-income jobs like McDonalds or as secretaries - Middle America needs it's Happy Meals served with a smile and we need our phones answered and letters typed. And raise your babies, we need them - -we will help you eat. You are an important part of American Society".

  and

  PLEASE, NO CUTS!!!!!!!!!!

MSB MEDICAL SERVICE BUREAU
MEDICAL SOCIETY OF SEDGWICK COUNTY

February 15, 1990

VICTORIA MORK
Director

Honorable Dan Glickman
U.S. House of Representatives
Committee on Agriculture
Chairman of the Subcommittee
on Wheat, Soybeans and Feed Grains

Re: Testimony concerning the Food Stamp and Temporary Emergency Food Assistance Programs

Thank you for the opportunity to present testimony concerning the above noted programs. These two programs are important parts of the 1990 farm bill. The benefits they provide affect the lives of more than 130,000 persons in the great state of Kansas.

I am qualified to speak about these programs. I worked as both a caseworker and a supervisor for the State Department of Social and Rehabilitation Services for 16 years with direct responsibilities in community outreach for the Food Stamp program. In addition, I implemented and administered the TEFAP program for Sedgwick County from it's inception until I left SRS in 1988.

My current position as director of a United Way of the Plains agency serving the medically indigent allows me to work with many low income persons who have great unmet medical needs. Yet they seem to have fallen through the cracks of governmental assistance. This is but one population that is in great need of further help provided through the Food Stamp and TEFAP programs.

I offer the following suggestions for changes in the Food Stamp program reauthorization for 1990.

The Excess Shelter Cap should be eliminated. All excess shelter costs should be allowed for Food Stamp households. Hunger is increasing in poor families as a result of increased housing costs. Low income households spend a disproportionately larger share of their income on housing and utility costs. This is especially true in this locale as our electricity is generated by the Wolf Creek nuclear power plant. Electricity costs consistently more than in surrounding areas.

Currently, in Kansas 24% of all Food Stamp recipients receiving a deduction for excess shelter are being credited with the maximum amount. This indicates the deduction is no longer realistic.

I am also calling for a Simplified Household Definition for Food Stamp program purposes. This request correlates directly with the above noted problem of increased shelter costs. Relatives that move in together to economize on shelter expenses are penalized by never being allowed to exist as separate households under the same roof. This option is available if they are not related and live together.

This change would also make sense from an administrative perspective. It is a case worker's nightmare trying to avoid errors in this area.

Food Stamp program regulations must be changed to exempt the $50 Child Support Pass Through the same as it is in the ADC program. Currently, if an absent parent is paying child support for children receiving ADC, regulations allow the first $50 to pass through to the casehead. The ADC check is not affected financially by the payment. However, this is not the case with the Food Stamp program, it is counted on the budget. This inconsistency in regulations creates an administrative nightmare and contributes to errors in the program.

It is imperative that the Vehicle Allowance be increased to a more realistic level. The current level of $4500, was implemented way back in 1977 and has not been changed since. This unreasonably low value functions as a major stumbling block to program participation by the recently unemployed family that needs assistance until the wage earner finds a new job.

The allotment levels of the food stamp program must be increased. The current allotments, based on the thrifty food plan, are incredibly outdated and inadequate in their amounts. The poor spend so much more of their income for shelter that the Food Stamp program no longer serves as a supplemental nutrition program. The program now functions as a primary resource for feeding low income households.

According to the Kansas State Extension Service a family of 2 could be expected to spend from $45-$70 per week on food; a family of 4, with 2 preschool children, would spend from $66-$99 per week; and a family of 4, with 2 grade school children, would spend between $75-$120 per week. Current Food Stamp allotments allow a maximum amount of $182 for a 2 person household and $331 for a 4 person household. Few households are fortunate enough to receive the maximum amounts.

A massive public education campaign must be implemented informing appropriate Food Stamp households that their excess medical payments may be deducted from their household's adjusted income. It is alarming to see elderly and disabled persons existing on Social Security of $600 per month, paying $100-$200 per month for their prescription expenses and receiving a mere $10 Food Stamp benefit. They do not know that their medical expenses could help offset their Food Stamp budget, resulting in a larger monthly Food Stamp allotment. It is reprehensible that these program participants are not informed of their options by their caseworkers.

The reauthorization of the Food Stamp Program in 1990 must have heavy emphasis on increasing the benefit level of the program for all poor people, as well as increasing the participation level. Hunger is a very pervasive and real problem for the United States. There are many hidden costs resulting from the short sighted, deficient benefit levels currently available to Food Stamp program participants. One major consequence is malnutrition with resulting increased health care costs. People who don't eat properly get sick more often. Poor people, lacking adequate health care, prolong seeking treatment until they are acutely ill. This results in greater medical costs.

The Temporary Emergency Food Assistance Program should not be expanded in 1990. The program lacks effectiveness and does not warrant any increased expenditures. The program was adequate as a means of distributing surplus dairy products in the early 1980's. However, the program has too many inherent weaknesses to be viewed as a real solution to the problem of hunger in our country.

The TEFAP program relies too heavily on volunteer networks to insure accountability of the food products. Storage and security were also a problem for many of the churches and social service agencies distributing the goods. Delivery of the products was also unpredictable which, in turn, prevented regularly designated distribution times. The program was a good idea but there were too many hitches for it to be beneficial to large numbers of the poor.

Venture House &
Breakthrough Club
Programs of Episcopal Social Services

EXECUTIVE DIRECTOR
THE REV ROBERT V PARKER

February 16, 1990

TO: The Honorable Dan Glickman, Chairman
Members of House Agriculture Subcommittee

FROM: Robert V. Parker, Executive Director
Episcopal Social Services (Venture House)
Wichita, Kansas

SUBJECT: Food Stamp Legislation: Anti-Hunger Legislation

Thank you for the opportunity to discuss with you the needs of more than a few of our citizens who have great need, in most cases through no fault of their own, and rarely have the empowerment to be heard.

As you know, a proper diet is essential to physical and emotional well being. I would also submit that dignity is one of the human basic needs. In Sedgwick County, we have 27,600 food stamps recipients receiving an average of $58.00 in food stamps monthly.

I and all our fellow citizens who find themselves dealing with hunger or anticipated hunger on a daily basis would ask you to consider three areas of need for change and help.

NEED FOR INCREASED BENEFITS

Most of the people we see struggle to put meals on the table with the current assistance that averages .57 per meal.

Inflation, escalating utility and rent costs force people to choose between housing and food. Most people eat inadequately nutritious meals each day and look forward to nothing at the end of the month despite frugal shopping habits by most. Poor people have learned to stretch a dollar but they cannot perform miracles.

About two thirds of those getting food stamps are disabled, elderly or children. They need our help; and you represent them. Current allocations put them on what you and I would

EPISCOPAL SOCIAL SERVICES, INC.
233 S ST. FRANCIS
WICHITA, KANSAS 67202

VENTURE HOUSE 269-4160
BREAKTHROUGH CLUB 269-2402

consider functional starvation. In Sedgwick County alone, the poor with children have been cut by $153,000 in recent ADC cuts. That purchasing power is gone. Can we ignore that?

EXCESS SHELTER COST DEDUCTION

HUD and Census Bureau data show that 45% of poor renters spend 70% of their income on shelter costs. Wichita, Kansas is no different. The cap on excess shelter costs was originally invoked to keep "high income" poor off food stamps. Today, however, it has the effect of penalizing people for something they cannot control and forces decision between paying utilities or buying food since food stamp allotments, already inadequate are reduced by the cap. The cap in effect assumes that money spent on shelter is also available for food. Since the cap is a fixed limit with no allowance for household size, it has the effect of putting families with children in jeopardy. In Kansas 24% of households are at or above the shelter cap. We implore you to remove the cap completely.

MANDATORY HOUSEHOLD DEFINITION RULES

Current law punishes persons who take in relatives in need. People with nowhere else to go need to choose between shelter offered by a relative and food stamps which they lose if they move in with a relative.

The law states that most parents, their adult children and siblings must apply together for food stamps even if they do not share resources or food.

These rules deny needy people of food stamps but may break up families and force people to shelters by threatening to cut off people's food stamps if they take in a relative.

The AFDC, Medicaid and SSI programs have no comparable requirements that adult siblings or parents and their adult children apply for and receive benefits together.

In 1988, the Senate passed an amendment that would have allowed relatives to be separate food stamp households if they bought and cooked food separately and apart from each other. The amendment was dropped in conference with the House of Representatives. We ask that you remove the Mandatory Definition Rules.

Robert V Baker

By and large, Crop Insurance is not as sick as you are led to believe.

Things that could be done to immediately increase participation is the total elimination of the disaster program through ASCS offices. If Congress chooses to not eliminate a disaster program, then it should be tied to Federal Crop Insurance participation for the year involved. Example - A disaster is declared for 1991; to be eligible, a farmer must have an insurance contract in force for the crop in 1991, not for the following year as is now required.

The following year requirement has turned out to be a real problem for everyone concerned:

(a) Federal Crop Insurance had to extend their sales season by 60 days - which in itself causes an unsound position as far as insurance principles are concerned.

(b) ASCS in many counties had such a large workload they did not get the producers letters to them in time to meet even the extended Crop Insurance sign up deadline.

(c) Whether by design or because of the above stated workload, some farmers were required to sign up and for others the requirement was waived for the disaster program.

To sum this up, Congress cannot reasonably expect Federal Crop Insurance to gain acceptance from the public when there is another competing program out there that gives the product away. You can't sell apples on one side of the street while someone is giving them away on the other side.

Another point - farmers as a class must come to look on farming as a business. Ever other businessman on Main Street has to buy his own insurance to stay in business. If his business burns down, etc., his neighbors feel sorry for him; however, if he doesn't have his own insurance, he is out of business!!

Now, the only reason for the existence of Federal Crop Insurance is there isn't anything comparable out there. Everyone criticizes Federal Crop Insurance because it runs in the red. However, that is the very reason no private insurance company will write all-risk protection on crops on their own -- they have found that they can get no reliable return on their investment. If it were profitable fpor a company, then the private sector would be in their fighting for a portion of the pie.

Because of the unprofitability of this type of insurance, the only solution is for the Federal Government to step in and offer a type of insurance -- I repeat, you have a good vehicle in place at the present time - Federal All-Risk Crop Insurance.

Page Two

While the program isn't perfect, with proper management it can be made to work. By proper management, I mean:

1. Eliminate the re-insured side of the marketing system, which has resulted in the following abuses:

    (a) Because of a more generous contract -- 20% for sales and approximately 17% for loss adjustment -- re-insured companies routinely offer agents more commission to sell the product on their paper by using their loss adjustment funds, resulting in slower payment of claims during disaster periods.

    (b) Ultimately, the indemnities paid by re-insured companies are passed back to Federal Crop Insurance Corporation and show up as red ink on their books. Re-insured companies in fact bear little risk in the long run.

To remedy this situation, all re-insurance companies should be offered a sales only contract.

2. All loss adjustment should be done either by the present Federal Field Organization or by an independent contract loss adjustment company or companies.

    (a) There should be absolutely no connection between the loss adjustment forces and the sales companies to avoid any implied or actual conflict of interest.

To sum up, to repair and readjust the Federal Crop Insurance program:

1. Eliminate the competition from another government program.
2. Use one standard contract through the marketing system.
3. Have only one marketing system which deals with sales only!!
4. Have a separate branch for loss adjustment not connected to any sales organization.

I would like to submit for the record this statement of my position along with a letter from Lloyd B. Scheide of the Fred S. James Company, a marketing contractor for Federal Crop Insurance, and also two letters from local banks in my area.

Thank you.

C.R. Olenhouse
Home Ins - Erie, Ks. 66733
C. R. Olenhouse

(Attachments follow:)

HOME STATE BANK

P. O. Box 215
318 South Main
Erie, Kansas 66733
316-244-3245

February 14, 1990

Honorable Dan Glickman
1212 Longworth Building
Washington, DC 20515-1604

Re: Federal Crop Insurance Program

Dear Rep. Glickman:

I represent a group of six banks in Southeast Kansas located in Chanute, Erie, Neodesha, Chetopa, Thayer and Stark. We were very concerned to discover that Congress may consider eliminating the Federal Crop Insurance Program. We, as lenders, rely heavily on this protection for loans to farmers secured by growing crops.

When one of our banks is examined by the regulatory authorities, it appears of utmost importance to the examiner reviewing a loan secured by growing crops that the bank's investment is insured by Multi-peril crop insurance. We share that belief. We also believe that the possibility that a farmer's loss will be covered by a "disaster" payment will not provide adequate protection for the borrower nor the lender. Therefore, loans will not be made and crops will not be planted if the insurance program is eliminated.

Farmers and lenders simply cannot rely on a disaster payment to bail them out. For instance, during the 1980's, several farmers in our area lost their crops 3 consecutive years to flooding. Due to the local nature of this "disaster", the area was not declared a disaster area, so the farmers who had crop insurance were able to remain in business and many of their neighbors were not.

Another major advantage of crop insurance over a disaster program is that at least there is a possibility that someday the crop insurance program could be self-supportive. If the disaster program is continued it should be a requirement that a recipient of disaster payments should first have crop insurance. As the government attempts to decrease its participation in the agricultural industry it would be wise to make the industry more self-supportive over-all. One effort to do this may include the requirement of a grower of farm products to insure themselves. Other businesses weigh the risks of being uninsured, and face the consequences if a loss occurs.

FDIC

Honorable Dan Glickman
February 14, 1990
Page 2

Federal Crop Insurance is not only a good program for farmers and lenders, but also for the general public. The program should not be eliminated but rather expanded to make the industry less dependant on the government.

Sincerely,

Leonard R. Wolfe
President

LRW/ge

HSB HOME STATE BANK

P. O. Box 215
318 South Main
Erie, Kansas 66733
316-244-3245

February 15, 1990

Honorable Dan Glickman
1212 Longworth Building
Washington, D.C. 20515-1609

Dear Congressman Glickman:

I'm writing to you to express my concern over President Bush's proposed budget whereby he plans to phase out the Federal Crop Insurance Program.

I have been involved in agriculture all my life, and the last 5 years I have worked with a small town agricultural bank as their Vice-President and Agricultural Representative. When I took this job, we had just gone through a drought, followed by three years of floods and finally, the depressed years of agriculture prices. Many of the farmers that we served were able to survive, many others were not. The ones that did survive made use of many management tools, one of which was crop insurance.

During the years that Neosho County had floods, the county was declared a disaster county. Many farmers were able to meet the federal guidelines to qualify where others fell short due to one reason or the other. Those farmers that did not qualify could not meet expenses and fell another year deeper in debt. The farmers that had purchased crop insurance were not saddled with the worry of qualify. They knew from the time they planted their crops their production risk.

As a banker, I feel much safer working with a farmer that has the foresight to limit his risk with crop insurance than those that are willing to risk their capital investment, as well as the banks, on whether they will qualify for the federal disaster program.

If the crop insurance program is phased out, Home State Bank would have to re-evaluate their loan policy. I'm concerned if we would be able to loan money on growing crops due to the high risk involved. In addition, we must also be concerned with the bank's regulatory position on these uninsured crops. I understand that the bank could use the equity in other collateral to secure the crop operating loans, but, I know of very few farmers who have that type of equity left in their real estate and machinery.

FDIC

I, also, would like to point out that the crop insurance program would come much closer to becoming a self-supportive program if it did not have to compete with a disaster program. If the money that is used to support the USDA disaster program is placed into the crop insurance program, I feel that it would soon be a self-paying program.

I do hope that Congress and the USDA, as well as Mr. Bush, takes a long look at the crop insurance program. Not only does this program allow the U.S. Government a chance to step away from agriculture, the phasing out of it would hinder the American farmers in obtaining operating credit.

Thank you for your time and consideration.

Sincerely,

Ray Withers

Ray Withers
V.P. and Ag. Rep.

2/16/90

Dear Congressman Glickman,

The following represent a quick overview of my concerns about agriculture.

1. Pricing structure
2. Enviromental issues
3. Government program cuts
4. Cheap food policy

1. Our cost of production has increased every year. At the same time our target prices have decreased-this cannot continue. In its present structure farm payments are the life blood of farm income, well proven by the high percentage of enrollments in these programs.

2. Any cost increases related to enviromental issues should be offset by increases in farm payments. When the farm program contains caps, such as the $50000 payment limitation how can we continue to be expected to pay the entire cost of increases created by enviromental issues. We are not able to pass our costs on.

3. Farmers have already taken their cut. At the peak of the 85 farm bill we were recieving approximately 26 billion since that time those payments have decreased to 13 billion. In the 85 farm bill the farm legislators were willing to cut target prices as the program progressed. All that achieved was to deepen our cuts when the Graham-Rudman bill was passed.

4. Farmers are either going to be paid in the market place or from the treasury. Lets please realize what our position in the world is -to produce an abundant supply of food. That food is not cheap to produce but it seems that the consumer expects an abundance as well as a cheap price.

In order to stay in business under the above mentioned problems the new farm bill must contain base flexibility. Not only will flexibility more enable the market to determine our cropping practices, it will also reduce our costs by allowing more crop rotation which will reduce our herbicide and fertilizer requirements.
In order to stay in business under the above mentioned problems target prices should be increased. With Graham-Rudman cuts and other cuts sure to be coming agriculture has got to remain financially strong.

Sincerely,

Stephen J. Lange
Box 596
Conway Springs, Kan, 67031

P.S. QUIT LOWERING CONSERVATION FUNDS AS DEMAND FOR THESE FUNDS INCREASE.

PLEASE FINALIZE AND IMPLEMENT 1990 FARM BILL IN TIME FOR WINTER WHEAT FARMERS TO MAKE PLANTING DECISIONS.

2/16/90

Dear Congressman Glickman,

We are writing to inform you of the problem we are having in cashing in our PIK certificates. At the present time these certificates are not drawing face value in the open market. To add insult to injury we are being denied the opportunity to pay off ASCS bills, incurred from overpayment of deficency, by cashing these certificates at face value at the local ASCS offices. We definitely do not believe this is an equitable situation and we wanted to make you aware of this.

Thankyou,

Stephen J. [illegible]
Box 596
Conway Springs, Kansas 67031

My name is Maurice S. Hunergardt. I'm a farmer. I live on a farm in Rush County, which is a typical rural community in West - West Central part of Kansas. It is a privilege and an opportunity to bring to you gentlemen the feeling of rural Western Kansas and America.

In speaking with my banker from Otis, Kans, he expressed some astounding facts prevailing in his trade area.

I quote: "10% of ~~his~~ customers are in serious trouble. Another 20% plus are just hanging on - big struggle. 50% of rural businesses are just barely hanging on with a sub-standard of living. Western Kansas in particular is struggling - sending more money out than what's coming in."

Mr. Yeutter's policy of being competitive on a world trade bases will not work for us. We in agriculture are on a U.S. input cost basis and selling on a world trade bases. It will not work. We in agriculture need price which is par with every other items we buy. A hair cut will cost from $6.00 to $15.00. An hour's of wage ranges from $3.85 to $20.00 or more. My message from my community is price. We need to be par. Food companies are making huge profits. Still food is only 12 to 15% of a wage earners budget. Rent is 50% in many cases and sometimes more.

I see no reason why we folks in rural america cannot be getting our fair share of the total income of our Country as we once did. Our population is decreasing in rural America — young people cannot and will not get into farming because of the input costs and then no profit. In your envelope you will see a study labeled exhibit "A" by a Nebraska banker with the cooperation of the National Organization of Natural Raw Materials — known as NORM. It points out the percentages of income received by agriculture from 1929 to 1989 in relation of our National income. In the 1940's Agriculture received from 7-8% of the national income. Then materials, equipment and much other consumer good could be purchased and paid for. In 1983 it was ½ of 1%. You can see why the banks failed — businesses and farmers went out of business. Farming being the kind of business it is can't do this for itself. If you gentlemen are sincerely interested in rural America you should work with all your power and influence to change this devastating trend this spring. A prosperous rural America has many many by-products. Can you think of a better place to raise a family? Our towns would be taught the qualities of excellence. The option is more idleness and more problems - and less productive young people.

"Apathy" and the "heck with it attitude" is widely prevalent in our farm communities. I repeat "We need price and a profit. This principle will eliminate a need for Crop Insurance and disaster as we now see it.

We in agriculture need some positive action now before our numbers become much fewer and rural America deteriorates any further.

Thank you for the opportunity to express these grass roots ideas.

(Attachments follow:)

Exhibit "A"

"THE REAL STORY"

What occurred BEFORE and AFTER Congress erected the "Anti-Parity Wall" on the on the the foundation established by the Farm Act of 1953.

The percentage share of National Income earned by agriculture annually, as realized net farm income from 1929 through 1989.

The total loan volume of all the commercial banks in the United States (exclusive of investments in U.S. Government Bonds and other securities) as a percentage of deposits available for loans from 1929 through 1989.

Total Public an Private debt as computed by the Department of Commerce to 1975, and as computed by the Federal Reserve Board from 1949 through 1989.

BLICAN	1929	7.2%		68.9%	Dec. 31, 1929 HIGH	$ 190.0 Billions	
	1932	4.9%	***Depression: Low National*** Income Share	53.0%		174.6	
	1933	6.3%		47.2%		168.5	
	1939	6.2%		28.3%		183.2	
	1940	5.5%		27.2%		189.9	
	1941	6.2%	----90% Parity Price Floor----	30.4%	----------	211.6	----------
CRATIC	1942	7.4%		21.6%		259.0	
evelt	1943	7.1%		18.1%		313.6	
ruman	1944	6.5%	-World War II-	16.9%	<-HISTORIC LOW: LOAN TO DEPOSIT RATIO	370.8	
	1945	6.8%	<Commercial Bank Failures end>	17.4%		406.4	
	1946	8.2%	<---HISTORIC HIGH: NATIONAL INCOME SHARE	22.4%	----------	379.4	----------
	1947	7.7%		26.4%		417.9	
	1948	7.9%		29.7%		434.0	
	1949	5.9%	====Post war Parity Period====	29.6%	==========	448.0	===$ 403.2 Billions=
	1950	5.7%		33.7%		490.7	429.9
	1951	5.8%		35.0%	-KOREAN WAR-	525.7	453.2
	1952	5.1%	END OF 90% PRICE SUPPORT	36.6%		556.1	485.7
	1953	4.2%	***"Anti-Parity Wall" Erected***	38.3%	**********	585.5	516.6
	1954	4.0%	(1953 and all subsequent 'national income share' to and including 1989, lower the depression low of 1932)	38.2%		612.0	542.6
LICAN	1955	3.4%		43.0%		672.3	583.8
hower	1956	3.0%		45.7%		707.5	612.6
	1957	3.0%		46.6%		738.9	643.0
	1958	3.5%		45.5%		782.6	682.7
	1959	2.6%		50.4%		846.2	740.4
	1960	2.7%		51.2%		890.2	779.9
	1961	2.7%		55.2%		947.7	827.9
	1962	2.6%		53.5%		1016.7	888.5
RATIC	1963	2.4%		56.7%		1089.5	955.4
edy	1964	2.0%		57.2%		1166.4	1028.2
	1965	2.2%		60.7%		1257.6	1108.6
on	1966	2.2%		61.8%		1346.1	1184.6
	1967	1.9%		59.7%		1443.0	1265.3
	1968	1.7%	1st Bank Liquidity Crisis	61.1%		1585.0	1373.8
	1969	1.6%		67.9%		1723.0	1490.7
	1970	1.8%		65.2%	VIETNAM WAR	1870.0	1598.9
LICAN	1971	1.7%	===Gold Standard Abandoned===	64.5%	==========	2050.0	===1751.7
and	1972	2.0%		67.3%		2276.0	1941.8
	1973	3.0%	LOAN + INVESTMENT/DEPOSIT...	72.2%	..RATIO = 100.3%	2532.0	2180.9
	1974	2.1%	(On June 30, 1929 it was...	72.0%	.... = 101.7%)	2769.0	2404.7
	1975	2.0%	**********	66.4%	**********	2997.0	****2619.2
	1976	1.4%		67.8%			2903.6
	1977	1.7%		69.5%	<-HIGHER THAN DEC. 31, 1929		3291.4
RATIC	1978	1.5%		74.1%			3761.1
r	1979	1.5%		80.2%			4240.7
	1980	.9%		75.4%			4654.8
	1981	1.3%	<-Bank Failures Begin Again->	76.7%			5183.2
	1982	1.0%		75.1%			5161.4
LICAN	1983	.5%	<-HISTORIC ALL TIME LOW: NATIONAL INCOME SHARE	82.8%			5623.0
an	1984	1.0%		89.7%			7195.7
	1985	.9%		91.2%			8243.1
	1986	1.0%		89.5%			9431.2
	1987	1.1%		94.5%			10,463.4
	1988	1.0%		95.5%			11,504.9
	1989	1.2%		98.2%	(9-27-89)		12,533.8 Est.
	1990						
LICAN	1991						
	1992						

1989 - NEW HISTORIC ALL TIME HIGH: LOAN TO DEPOSIT RATIO

1989 - HISTORIC ALL TIME HIGH: TOTAL PUBLIC AND PRIVATE DEBT

., Rossiter, Sr., Analyst
ary 12, 1990.

Time Frame	Federal Tax Revenue * (Billions)	Federal Deficit (-) Surplus (+) (Billions)	Public (Gov.t) Debt ** (Billions)	Personal & Business Bankruptcies Per 1,000 persons U.S.A.
1929	$ 4.0	$ + 0.7	$ 16.9	
1932	1.9	- 2.7	19.5	
1933	2.0	- 2.6	22.5	
1939	5.0	- 3.9	42.0	
1940	5.1	- 3.9	43.1	
1941	7.1	- 6.2	58.0	
1942	12.6	- 21.4	108.2	
1943	22.0	- 57.4	165.9	
1944	43.6	- 51.4	230.6	
1945	44.5	- 54.0	278.1	
1946	39.8	- 20.6	259.1	.07
1947	39.8	+ 6.7	256.9	
1948	41.5	+ 8.4	252.8	
1949	37.7	- 1.8	257.1	
1950	36.5	- 3.1	256.7	
1951	47.6	+ 3.5	259.4	.16
1952	61.4	- 4.0	267.4	
1953	64.8	- 9.4	275.2	.20
1954	69.7	- 1.2	278.8	
1955	65.5	- 3.0	274.4	
1956	74.6	+ 4.1	272.7	.27
1957	79.9	+ 3.2	272.4	
1958	79.2	- 1.4	279.7	
1959	79.2	- 10.3	287.8	
1960	92.5	+ 3.2	[illegible]90.9	
1961	94.4	- 3.4	[illegible].9	.84
1962	99.7	- 7.1	[illegible].3	
1963	106.6	- 4.8	[illegible]0.8	
1964	112.6	- 5.9	316.8	
1965	116.8	- 1.6	323.1	
1966	130.9	- 3.8	329.5	.88
1967	149.6	- 8.7	341.3	
1968	153.7	- 25.2	369.8	
1969	187.8	+ 3.2	367.1	
1970	193.7	- 2.8	382.6	
1971	188.4	- 23.0	409.5	.83
1972	208.6	- 23.4	437.3	
1973	230.8	- 14.8	468.4	
1974	263.2	- 4.7	486.2	
1975	279.1	- 45.1	544.1	
1976	298.1	- 73.7	629.0	1.07
1977	355.6	- 53.6	706.4	
1978	399.6	- 59.2	776.7	
1979	463.3	- 40.2	828.9	
1980	517.1	- 73.8	908.5	
1981	599.3	-78.99	994.3	1.22
1982	617.8	-127.9	1136.8	1.33
1983	600.6	-207.8	1371.2	1.35
1984	666.5	-185.3	1564.1	1.24
1985	734.1	-212.3	1817.0	1.30
1986	769.1	-221.2	2120.1	1.43
1987	854.1	-149.7	2354.6	1.86
1988	909.0	-155.1	2600.8	2.03
1989	990.8	-152.1	2865.7	2.44
				2.61
Percentage Increase: 1952-1989	+1,513.7%	+3,702.3%	+971.7%	+1,205%

BOTTOM PERCENTAGES REFLECT THE INCREASE IN EACH CATEGORY FROM 1952 THROUGH 1989, AFTER THE ERECTION OF THE "ANTI-PARITY WALL."

Government Debt Statutory Limit: - $ 3,122,700,000,000.00

* SOURCES. Administrative Office of the U.S. Courts, U.S. Department of Commerce, Board Governors of the Federal Reserve System, Economic Indicators.

** This total does not include $1.6 trillion of "off budget" public debt created by Government direct loans, loan guarantees, and "Government Sponsored Enterprises" at the end of the government fiscal year September 30th, 1989.

W. E. Rossiter, Sr.,
January 10th, 1990.

WICHITA, KS PM

Kansas AAM

Exhibit "B"

	Parity Price	Dec. Price Received	Dec. Price as a % of Parity
WHEAT, bu.	$ 7.60	$ 3.81	50%
RICE, cwt.	20.90	6.99	33%
CORN, bu.	5.35	2.26	42%
BARLEY, bu.	4.77	2.36	49%
SORGHUM, cwt.	9.01	3.66	41%
OATS, bu.	3.17	1.46	46%
COTTON, lb.	1.39	.627	45%
PEANUTS, lb.	.507	.287	57%
SOYBEANS	12.30	5.63	46%
FLAXSEED, bu	11.30	7.21	64%
CATTLE, cwt	117.00	71.00	61%
HOGS, cwt.	90.30	48.90	54%
ALL MILK, cwt.	25.40	15.90	60%
MFG. MILK	23.57*	15.00	64%
EGGS, doz.	1.17	.828	66%
WOOL, lb.	3.03	.805	27%

* Parity price for manufacturing milk.

SOURCE: USDA "Agricultural Prices" Report, 12/29/89

Jan 26, 1990

Profit in farming will boost rural America

The largest and most highly developed industry in our community and our country is so depressed, due to low commodity prices, that people are leaving not only the farms, but the community, as well. People, not machines, make for prosperity. There is so much talk of economic development for the betterment of Kansas, yet the one industry that could restore prosperity to our schools, hospitsls and small-businesses is being forced out of existence.

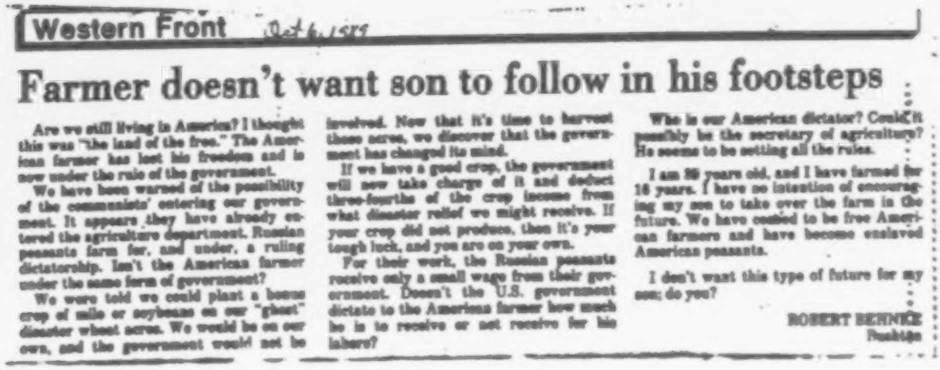
If our Agriculture department, on a state and national level, would be fair to the producer--just as the Kansas Corporation Commission is to the utility companies-we as a state would be prospering. We producers have the right to be on par with the whole economy. Were we in par, the government could forget those depressing and complicated programs being fed to us across the country.

Rural America is good for America. The finest soldiers and officers of our armed services come from rural America. The finest teachers come from rural America. The finest medical doctors and attorneys come from rural America. The greatest inventors come from rural America. Yet we have a destructive force that is trying to move rural America and all its qualities to large cities that can't handle the problems they already have. Our country needs a strong, healthy rural America to bring prosperity back to the small towns and local communities. Mr. Yeutter is more interested in many bushels to help shippers, the storage corporations and the traders.

We need prices that are par to what we buy and produce so that our community can survive as a healthy rural community.

I'm for a strong rural America. Put profit back into farming and we'll see young people taking over family farms. On the farm we learn the qualities of excellence.

Maurice J Huenergardt



Western Front Oct 6, 1979

Farmer doesn't want son to follow in his footsteps

Are we still living in America? I thought this was "the land of the free." The American farmer has lost his freedom and is now under the rule of the government.

We have been warned of the possibility of the communists' entering our government. It appears they have already entered the agriculture department. Russian peasants farm for, and under, a ruling dictatorship. Isn't the American farmer under the same form of government?

We were told we could plant a bonus crop of milo or soybeans on our "ghost" disaster wheat acres. We would be on our own, and the government would not be involved. Now that it's time to harvest those acres, we discover that the government has changed its mind.

If we have a good crop, the government will now take charge of it and deduct three-fourths of the crop income from what disaster relief we might receive. If your crop did not produce, then it's your tough luck, and you are on your own.

For their work, the Russian peasants receive only a small wage from their government. Doesn't the U.S. government dictate to the American farmer how much he is to receive or not receive for his labors?

Who is our American dictator? Could it possibly be the secretary of agriculture? He seems to be setting all the rules.

I am 59 years old, and I have farmed for 16 years. I have no intention of encouraging my son to take over the farm in the future. We have ceased to be free American farmers and have become enslaved American peasants.

I don't want this type of future for my son; do you?

ROBERT BEHNKE
Bushton

Kansas Corn Growers Association

Wichita FAX 316-262-4825
Dan Glickman, Wichita Office
316-262-8396

Written testimony for the Wheat, Soybean, and Feed Grain subcommittee, February 16, 1990, Field hearing, Wichita, Kansas; from the Kansas Corn Growers Association, Roger Pine, President.

I am Roger Pine, President of Ks. Corn Growers Assoc. (KCGA), a farmer in the Kansas River Valley, just north of Lawrence, Kansas near the Turnpike.

I would like to thank Congressman Glickman and members of the Wheat, Soybeans, and Feed Grains sub-committee for holding a public hearing in preparation of the 1990 Farm Bill. I apologize for not being present at this hearing due to an illness in the family.

In looking back, our organization feels that the 1985 Farm Act was one of the most successful and responsive pieces of farm legislation in recent history. It allowed us to reduce grain surpluses through increased export markets at world competitive prices and acreage reduction programs while providing corn farmers with some income support. At the same time, fiscal responsibility was carefully considered as farm programs spending has been reduced by over 50% in the last four years. We would hope that Congress would recognize and give credit to the reduction in cost of farm programs over the last four years when budgeting for the 1990 Farm Bill.

KCGA would support the following in the 1990 Farm Bill:

1. Continue being more Market Oriented and Export Competitive.
    a. Continue marketing loan for corn when it is shown our exports face unfair competition in foreign markets.
    b. Support and encourage efforts of US Feed Grains Council, Foreign Agricultural Service, US Meat Export Federation, and others in increasing exports of corn, corn by-products and related value-added products including eligibility of the above in the Export Enhancement Program.
    c. Making more funds available for export credit, extend export credit to more countries, and help improve infrastructure of countries to allow better distribution of imported agricultural products.
    d. Continued effort through GATT and other means for the elimination of both tariff and non-

tariff trade barriers.

2. Target Prices
   a. Target Prices need to reflect the cost of production at regional or county levels to determine deficiency payments as an income supplement during the transition to world-wide fully market-responsive agricultural trade.
3. Planting Flexibility
   a. Farmers need flexibility in order to be more responsive to market signals without fear of losing base acres and/or other government program benefits.
   b. Farmers need flexibility in order to allow environmental and agronomically sound farm practices such as crop rotation and to be able to follow the farm plan recommendations of the Soil Conservation Service without loss of base acres and/or other government benefits.
   c. If farmers do not have some built-in flexibility we will lose some of our ability to be competitive and to do what is best on our farm in any particular situation. We need to be careful not to end up trying to farm by committee.
   d. We must maintain and improve local control of ASCS and SCS in resolving problems locally concerning administrative and adaptation of government rules to local conditions.
4. Acreage Reduction Program
   a. The amount of acreage reduction should be determined by commodity carry-over and world utilization.
5. Program Announcements
   a. Program announcements should be made on a timely basis and well in advance of planting time for that particular commodity.
6. Environmental Issues
   a. In order to strive towards maintaining wetland, sodbusting, and highly erodible conserving practices as mandated in the 1985 Farm Program, new owners and/or tenants of any tract of land not in compliance when acquired after 1990 should have a five year grace period to come into compliance without loss of program benefits to new owners and/or tenants on the new tract or on farms already in compliance.
   b. As environmental issues continue to be a high priority to the public, most farmers already consider themselves good stewards and conservationists of our natural resources that they use. Some good comes out of change but

Kansas Corn Growers Association

common sense needs to prevail.

7. Research and Development
   a. Congress and the Administration need to be aware of the value to rural communities of "new use" research and the production of new value-added agricultural products.
   b. Support the continued Federal Excise Tax Exemption for Ethanol and efforts to expand the use of biodegradable plastics and continuation of the US Sugar Program.

The 1985 Farm Program was a start in the right direction. The Kansas Corn Growers Association would ask that you would give careful consideration to the recommendations mentioned above for the 1990 Farm Program.

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